

**Alternative Self-Help Financing Schemes for Housing:  
An Exploratory Study on Indigenous, Voluntary,  
Community-based Groups in Urban Areas**

*Ma. Lourdes G. Genato-Rebullida  
and Roberto Enriquez Reyes*

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# **ALTERNATIVE SELF-HELP FINANCING SCHEMES FOR HOUSING; AN EXPLORATORY STUDY ON INDIGENOUS, VOLUNTARY, COMMUNITY-BASED GROUPS IN URBAN AREAS**

*Ma. Lourdes G. Genato-Rebullida  
and Roberto Enriquez Reyes\**

## **I. INTRODUCTION**

The importance of housing is expressed by Republic Act No. 7279 (March 1992) which provides for a Comprehensive and Continuing Urban Development and Housing Program. This act is called Urban Development and Housing Act of 1992. This enjoins the private sector to cooperate and encourages the participation of the people, particularly through self-help cooperative housing.

The National Shelter Program of the Philippines demonstrates the current emphasis on housing. It highlights the concern for ways to mobilize additional funds for housing, encourages private sector involvement and participation, carries out a "basic sites and services strategy" using self-help, and mobilizes the community in all stages of development, particularly in social housing.

The United Nations launched its Global Strategy for Shelter to the Year 2000, recognizing that past experiences, such as the project-by-project approach, failed to solve housing needs and that there is now a need to explore alternatives. To pursue this, the United Nations Centre for Human Settlements spearheaded jointly with national governments a support program including the Philippine Shelter Strategy Formulation Project.

The consultation-workshop on the formulation of regional and shelter strategies (United Nations Center for Human Settlements, Government of Finland and the Housing and Urban Development Council 1991) highlighted two key concepts for global shelter strategy: capability and affordability. This meant a new way of looking at housing through the "related action of other sectors, that is, the private sector, nongovernment organizations (NGOs), community-based organizations (CBOs) and community associations (CAs), and the households or users themselves."

This is a departure from the usual "direct public sector participation in the provision of shelter." It is expected that more resources can be mobilized for housing, that there will be more access to improved shelter, and that people themselves will have a greater role in decision-making. Strategies for shelter must also aim at the lowest-income groups, within the "economic carrying-capacity of society so that the scale of needs can be met with the resources available - finance, land, manpower and institutions, building materials, and technology." (UNCHS, GOF, HUDCC 1991)

### **A. Exploring Housing Financing Schemes by Voluntary, Community-Based, Non-Government, and People's Organizations**

In this context, this study on **ALTERNATIVE SELF-HELP FINANCING SCHEMES FOR HOUSING: AN EXPLORATORY STUDY ON INDIGENOUS VOLUNTARY COMMUNITY-BASED**

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\*Associate Professor and Assistant Professor, respectively, University of the Philippines, College of Arts and Sciences.

**GROUPS IN URBAN AREAS** provides data on the present trends in and the status of self-help efforts to meet housing needs outside of the programs and services of government and the private banking system. It looked into whether self-help voluntary indigenous community-based mechanisms use their own resources and employ so-called indigenous means of providing for their housing needs or if these avail of the housing programs of government and the private banking system.

This **ALTERNATIVE SELF-HELP FINANCING SCHEMES FOR HOUSING: AN EXPLORATORY STUDY ON INDIGENOUS, VOLUNTARY, COMMUNITY BASED GROUPS IN URBAN AREAS** is a descriptive analysis focused on the following research questions:

1. What are the existing groups or organizations outside of government and the private banking system engaged in financing schemes for housing? How are these organized, particularly with respect to activities on providing for housing?
2. What is the process/system of financing:
  - ▶ How do these groups finance their housing projects? How are funds generated? How are funds appropriated? Who are the users?
  - ▶ In case of loans, what are their conditions: for example, terms of payments, collaterals, etc.?
  - ▶ What are their methods of collection and measures of control? In what ways can these be useful for alternative financing systems for low income housing area development?
  - ▶ What are their linkages to the formal financing system?
3. What are the underlying reasons for setting up the financing mechanisms/process/system? In what way are these useful? Are these successful or not? In what way can these efforts be strengthened?

## **B. Objectives and Outcomes**

The objectives of the research are:

1. to determine the extent of efforts in self-help financing through indigenous volunteer groups and community-based organizations on housing outside the formal government and private banking system;
2. to explore a model for financing housing projects outside of government and private banking programs;
3. to give recommendations on policy research and formulation, and on planning.

The data will be useful as feedback in relation to the early stage of implementation of the Urban Development and Housing Act.

The research output can serve as base line information for planning and policymaking to strengthen self- help efforts, to disseminate information on alternative schemes that can be used as input for future models within and outside of the Philippines, and to identify and fill in the gaps in the government service system for housing. These can be used in line with the current efforts of the United Nations Development Programme (UNDP) and the Philippine government on strengthening national institutional capacity to deal with the housing needs of the lowest-income groups in the urban areas (UNDP/UNCHS/PHI/88/007).

### C. Significance

The focus on financing schemes is a response to oft-repeated observations that financial resources for government housing programs are limited. The issues of debt servicing and budgetary allocations complicate the problem of meager government resources to address poverty and basic human needs. The poor and low income households either wait for what government can provide, endure their housing conditions, or seek alternative ways of meeting their needs.

Awareness of the need for housing through quantitative projections of need and demand raises the imperative for financing particularly for the low and middle income groups. The notion of "alternative" takes into context the so-called conventional or traditional or formal systems. These refer specifically to the government and the private banking system and the way housing has been dealt with in the past.

Recently, the 1987 Philippine Constitution recognized nongovernment organizations and their role of partnership with government in various efforts for national development. The National Shelter Program of the Philippines, the United Nations Global Shelter Strategy, and the Housing and Urban Development Act 1991 have also called for the involvement of community based nongovernment organizations. How these community organizations have responded to the housing problem is still to be fully examined.

Furthermore, an initial survey of studies done on the subject reveals the need to probe into the dimensions of financing. Various informative materials showed the emergence of alternative ways of dealing with housing in other countries and in the Philippines undertaken by so-called community based nongovernment organizations, associations, credit unions, cooperatives, and people's organizations.

### D. Survey of Literature

Generally, existing studies on housing present the problem of lack of accessibility of the poor and low income groups to government housing programs. Housing needs and problems continue and even increase despite the years of government policy and programs.

**Access and Affordability of Low Income Groups.** The review of the history of the national housing policies of government, specifically the National Shelter Program showed a long list of unsuccessful programs (Angeles 1985:1). An analysis of housing need gap and affordability show that most people earn incomes too low to enable them to acquire or borrow funds for housing.

Costs have increased very rapidly, making housing less and less affordable, especially for low income families. Consequently, hundreds of thousands continue to live in poor and unacceptable living

conditions. The major causes of this problem can be traced to the approach to housing taken by the authorities, described as basically fragmented and uncoordinated (p.1, 18-25).

**The Urban Poor.** With the use of census data and government reports, research has established the continuing existence of slums and squatter dwelling, particularly in urban areas like Metro Manila (Casanova 1983). The problem of housing for urban poor is aggravated by the conflict between the development controls for housing and housing concepts for low income groups. The latter is principally dictated by their socio-economic circumstances, specifically, by their affordability level, and to a certain extent by their concept of property. Housing construction, based on the standards being enforced by the rules and regulations on housing, is beyond the financial capability of low income groups. High land values and cost of building materials make it almost impossible for low income families to meet the standards. Hence, government needs a development control for housing that considers the needs of the majority of the population.

**Housing Need and Aspirations.** Existing studies on housing have tended to focus on such concepts as housing needs, problems, and gaps. The indicators used have been: level of income, ability to borrow, affordability, and cost and price of housing (Angeles 1985: 19-21; Guerrero 1977: 6). Results showed that with their limited income various sectors have been unable to make housing their top priority compared to food expenses and that financial constraints cannot make them put housing on a higher scale of priorities for financing (Keyes, *Housing the Urban Poor* 1976: 11-13; Angeles 1985: 21).

But this does not mean the absence of aspirations or the perceived need for housing. The need for housing is perceived not only by urban poor and the lowest income groups but also by the middle income class earning from P4,000 to P20,000 per month (Guerrero 1977; Angeles, p. 18 citing Osorio 1983). In examining the issue of housing, particularly through government programs, it has been necessary to reconceptualize the notions of housing need and housing demand. For instance, one view explains *housing need* as a person's perception of his own priorities and preferences in terms of housing type, living arrangements, location, facilities and environment; while *housing demand* refers to a person's willingness to pay for housing needs or the maximum amount a person is willing to pay for housing in general (Guerrero, p.15). Another definition of housing need is the number of dwelling units required for households occupying structures not intended for human habitation and dwelling units intended for the ideal structure of one household occupant (Angeles, 1985: 15).

**Problem of Financing for Housing.** It appears that financing stands out as a critical aspect of housing, particularly for the lower and middle income sectors, since the upper income brackets seem well taken care of (Quiñones 1974: 4, 7, 11). Despite years (1960-1970) of lending activities for housing by government and private financial institutions, the lower and middle income brackets are still left out (p. 6-7).

The problem of financing for housing in the Philippines can be resolved better by increasing the participation of the private sector in *economic housing* and by simultaneously accelerating government investments in low-cost "social housing." "Economic housing" refers to self-liquidating housing where the entire costs are recovered plus some amount of profits. "Social housing" on the other hand refers to housing subsidized by the government or with foreign aid (if any) and where the costs are not recovered from the end users of the housing units (Quiñones 1974: 8).

The "open market housing" for the upper-income groups should be left to the private sector. For the rising new middle-class or the emerging members of this class, perhaps a different kind of housing

scheme should be introduced, incorporating "social" and "economic" elements (Quiñones 1974: 9). It has been suggested that government undertake low cost social housing and economic housing as well.

**Tapping Informal Financing Schemes.** If low and even middle income families cannot afford and cannot have access to government housing programs, what are the alternatives? This question raises the possibilities for raising the funds needed to provide housing. Outside of the government and private banking system, studies have established the existence of so-called informal financing schemes that have had some levels of success in generating and mobilizing funds. Nongovernment organizations (NGOs) like foundations and cooperatives have been particularly active in this undertaking. They can certainly be tapped in line with any renewed government initiative for housing development.

The Filipino has shown a propensity to join credit unions and cooperatives (Quintana 1989), including those initiated in communities by various churches and church-related organizations. These cooperatives are usually for income, livelihood, and health (Rebullida 1990). The Filipino has also repeatedly resorted to associations and group formations called "*paluwagan*" or "rotating" savings and loan associations. Credit unions are also commonly observed in government and private offices, organized voluntarily by its members. In some instances, people have used credit unions for housing purposes, whether acquisition or repair (Lamberte and Balbosa 1988: 13; Lamberte and Bunda 1988).

Recently, a number of studies on informal credit markets have emerged, initially focusing on the rural sector but subsequently stressing the urban sectors (Lamberte and Lim 1987; Lamberte and Balbosa 1988: 10). Included in this sector are cooperative credit unions classified according to where they are based, namely: (1) community-based CCUs operating in a specific community and usually spearheaded by civic and religious leaders; (2) institution-based CCUs found in government and private offices where employees voluntarily organize themselves into savings and loan associations; and (3) market-based CCUs operating in public markets.

The first group is described as an open-type credit union, while the second and third groups as closed-type. In urban areas, the institution-based and market-based CCUs are dominant because of the industrial and commercial environment. Community-based credit unions hardly flourish at all in urban areas due to the lack of close interpersonal relationships among community members (Lamberte and Balbosa 1988: 11).

The credit cooperatives as part of the so-called informal credit market (ICM) "continued to show dynamism in mobilizing resources from savers and in channeling credit to small borrowers in the rural and urban areas" (Relampagos, Lamberte, and Graham 1990: 1). Operating outside of Central Bank control, credit cooperatives showed greater flexibility in savings mobilization and lending functions, hence the term "informal financial intermediary."

Studies show that credit cooperatives began as informal associations (i.e. *damayan*, *paluwagan*, etc.) for the simple objective of collectively helping individual members in their financial difficulties. After some years of nurturing collective efforts and of demonstrating capability to serve common interest, credit cooperatives have expanded their membership, physical assets, and capital. Some have even diversified their concerns. These improvements happened without the infusion of external funds but through internally generated *capital* to sustain *operations* and to enhance their *viability as financial intermediaries*. It was noted that in sharp contrast, many rural banks, despite heavy subsidy, collapsed and had to be rehabilitated by the government (Relampagos, Lamberte, and Graham 1990: 2).

Studies also show that credit cooperatives have been tapped as conduits for loans to specific borrowers. These cooperatives have successfully mobilized deposits especially among low income individuals discouraged to deposit in banks because of required minimum deposits and the relatively high transaction costs. Hence, credit cooperatives have effectively provided low-cost alternative savings instruments for low-income depositors (Relampagos, Lamberte, and Graham 1990: 2-3).

In addition, the existence of informal credit markets has been confirmed at least in one low income urban community, Sapang Palay (Lamberte and Bunda 1988: 1). The prevalence of informal credit markets has been unjustly treated in economic literature. Initial baseline information showed that informal credit markets called "*paluwagan*" and money lenders thrived well in low income communities.

People borrow from money lenders who play the role of "indigenous banker" despite high interest rates. The "*paluwagan*" on the other hand allows a small group of people to help one another save and loan money to meet their financial needs (Lamberte and Bunda 1988: 79). These findings challenge the general view that savings cannot be generated among the low income groups. Such transactions do not usually get published in official publications on financial statistics (Lamberte and Bunda 1988: 80). But within the Philippine economy, such mechanisms can be effective not only for purposes of savings and loans but also for housing development.

**Community-Based Organizing and Mobilizing.** People's organizations and nongovernment organizations have risen dramatically in recent years. These entities have numerous goals, including housing, especially for the poor. NGO's have also assisted those facing eviction (NASSA 1990). Various materials also show the existence of nongovernment organizations engaged in different ways of enabling individuals, groups, and communities acquire houses and/or lots and pay for these through reasonable payment schemes.

Among cooperatives, information has come out on the so-called cooperative housing. These cooperatives deal with different ways of mobilizing the community to meet the dual need of land acquisition and housing construction. There are also savings and loan associations dealing with housing. Initial documentation reveal groups variably called community-based, self-help, voluntary, nongovernment, and/or people's organization engaged in housing. These groups have taken advantage of some of the elements of Filipino culture (referred to as indigenous) that are conducive to cooperative housing.

Three studies are useful: *Balay Koop 1 A Cooperative Housing Sourcebook* (Castillo, Biglang Awa, Domingo 1991); *Housing the Urban Poor: Unconventional Approaches to a National Problem* (William Keyes 1976); *State of Cooperative Development in the Philippines* (Cooperative Foundation Philippines, Inc. 1989).

These studies presented case histories of housing cooperatives and other community efforts to acquire funds to finance lot acquisition, house construction, site development, and the capability of the people's cooperation to sustain the organization.

Other studies on housing focus on the political economy of housing (Merin 1981); history of housing programs and policies, analysis and projections of housing needs (Hufana 1979; Parel 1965; Bernas 1971); housing needs and real estate market--Baguio (Cordillera Studies Center 1992).



Given this range of existing studies relevant to the problem of providing for housing, this study focuses on the aspect of financing by examining the mechanisms used by community-based, voluntary, self-help, nongovernment organizations, particularly highlighting indigenous elements.

## E. Methodology

**Conceptual Issues.** This study has key terms whose definition need to be clarified. These are: formal and informal financing schemes; government and private banking system; self-help, voluntary, participatory, community-based; people's organization, association, nongovernment organization, cooperative, credit union, housing cooperative. The terms "alternative" and "indigenous" also need to be explained.

**Alternative.** The notion of "alternative" schemes can be understood vis-a-vis past directions on housing. With respect to government and private banking system, the term alternative means new and different approaches now being implemented in contrast to what has been done.

But with reference to the groups called community-based, self-help, voluntary, and indigenous, "alternative" is used for financing schemes that are completely or somewhat different from schemes used by the government.

**Financing.** The word "financing" generally conveys the idea of resources in monetary terms or other forms that can be used to attain certain objectives. Some pointers can be derived from the study of the concept of financing in health (Alfiler 1989). Financing means the raising of resources/funds to support or pay for goods and services (Alfiler 1989: 120).

In the case of financing health, one view was to take health care as a commodity just like other goods and services that individuals or public and private organizations are willing to pay out of their incomes and revenues. Also, resources, goods and manpower costs need to be valued to determine resources necessary to finance the production of health services (Alfiler 1989: 120, citing Zschock 1975: 5). For estimation, it is necessary to define the nature of the commodity and the process of producing it (Alfiler 1989: 120-121).

Hence, in extending the conceptualization to the area of housing, it may be necessary to identify the very nature of housing as a commodity and the process of producing it. Housing can be perceived as a commodity or a service with costs, that has to be paid for. Furthermore, financing should include not only actual revenues but also potential sources of funds and expenditures. It is important to determine volume available, regularity of remittance of funds, collection costs, stability and continuity of sources, the type of sources, such as public or private (Alfiler 1989: 121-122).

In examining the community-based, voluntary, self-help, and/or nongovernment organizations, financing refers to the processes by which funds and resources are generated to let individuals and families own the lot and/or house. Also, there exists formal and informal financing and credit market systems (Lamberte and Balbosa 1988: 2).

Formal credit markets such as banks, finance companies, and pawnshops are regulated by the Philippine government, particularly by the Central Bank. These are subject to regulations imposed by government on capital, reserves, liquidity, ceilings on lending and deposit rates, mandatory credit targets, and audit and reporting requirements (Lamberte and Balbosa 1988: 3-8).

The informal credit market covers those not subject to Central Bank regulation, such as cooperative credit unions, savings and loans associations, individuals and groups as professional money lenders, landlord/lenders, and traders/input suppliers (Lamberte and Balbosa 1988: 9-10).

**Voluntary, Self-Help, Indigenous, Nongovernment, People's Organizations.** These terms used in the study can have different meanings and interpretations to different organizations. Caution is exercised for the research to refrain from imposing categories or classifications on respondents. Instead, respondents are asked to identify their type of organization according to their definition.

For instance, the Bureau of Cooperatives Development defines a cooperative credit union as a voluntary association of at least 25 persons with a common bond of interest. It is organized primarily for the purpose of mutual assistance in generating capital from among themselves through a systematic and continuous savings program in order to grant loans to each other at reasonable rates of interest. The union has to be duly registered with the Bureau of Cooperatives Development (Lamberte and Balbosa 1988: 15).

Presidential Decree 175, the old law on cooperatives and the new Cooperative Code recognize at least six types of formal cooperatives: consumer, credit, marketing, producers, service and multi-purpose cooperatives. The last includes housing among others (Angkop March-June 1992: 28).

Indigenous forms of cooperation have been identified such as *luyu-luyo* in Bicol, *palusong* in Central Luzon, *paluwagan* and *bayanihan*. In the Cordillera Region, various ethnic cultural groups preserved indigenous or pre-Spanish elements of their way of life (UP Baguio Cordillera Studies Center 1980-1992).

Nongovernment organizations is defined by the Alterplan, citing Kabalikat Glossary, Council for People's Development. as a service group supporting people's organizations in development efforts. People's organizations are voluntary groupings of individuals by sector or community who adhere to certain principles and undertake common actions. (Castillo, Biglang Awa, Domingo 1991: 78).

Community-based organizations are those set up and maintained by and among the people living geographically in the same area, as in the case of community-based health programs (Rebullida 1990). These are distinguished from institution-based organizations in offices or where people work.

**Sources and Methods of Data Gathering.** The study conducted a survey of existing literature and a limited sample survey. It covered the urban areas of Metro Manila, Cebu, Davao and Baguio.

Studies and informative materials were obtained from: the UP main library, libraries and research centers of the UP College of Public Administration, School of Labor and Industrial Relations, College of Social Work and Community Development; Ateneo University and Institute of Philippine Culture; UP Baguio library and Cordillera Studies Center; St. Louis University, Baguio. Also visited were the Ateneo University in Davao and San Carlos University in Cebu. Data were obtained from government agencies like the Development Academy of the Philippines, Philippine Institute for Development Studies of the National Economic Development Authority, and various housing-shelter agencies. Nongovernment organizations, cooperatives, and credit unions such as the National Confederation of Cooperatives, the Cooperative Foundation Philippines, Inc., and Alternative Planning Initiatives, Inc., among others, also provided materials. Materials from the UN Center for Human Settlements provided valuable information on the current status of housing in different countries including the Philippines.

A limited sample survey was conducted, using interviews and questionnaires for housing sites in Metro Manila, Davao, Cebu and Baguio. In the first stage, various directories were obtained and screened by phone, and visits for the purpose of setting up the sampling design were made. Referrals and leads were given by some organizations on still unlisted groups. In the second stage, the questionnaire was pre-tested. Caution was requested by William Keyes for the research to avoid using categories such as credit union, cooperative, or housing cooperative to label groups that would impose compliance from respondents. The questionnaire provided reply options for respondents and open-ended queries to allow for exceptions, unique situations, and perceptions. Two sets of questionnaires were prepared, one for the staff of the implementing organization or of the housing project, and one for the user-beneficiary.

In Metro Manila, random sampling were made in two housing projects, one in Maryville and the other by the Foundation for Development Alternatives. Two housing projects were selected in Davao and Cebu. In Baguio, one (1) housing site was visited. Another was identified but the respondents were in schools in different parts of Baguio and their housing project was in the stage of land acquisition.

A limited sample was taken of the market vendors in Baguio to look into the practice of "5/6 lending," the existence of cooperatives and credit unions, housing cooperatives, and other voluntary groups.

**Data Analysis.** This study looked into the following variables for content analysis in the survey of existing studies and informative materials, and for analysis of responses in the field research :

- a. Structural framework of the group involved in the activity of financing to meet housing needs; reasons for organizing; objectives.
- b. Process of generating funds for housing.
- c. Process of using and allocating funds: parties involved; beneficiaries.
- d. Process of funds management and control: terms and conditions particularly in the case of loans, collaterals, methods of collection, sanctions.
- e. Results: success or failure; lessons learned.

Using the literature and field survey findings, the study profiled and compared the different efforts of sample communities, associations, and nongovernment organizations engaged in housing among various income groups. These showed the different models and ways of using mutual self-help, community mobilization and participation, and operationalizing the notion of indigenous efforts for financing and sustaining housing delivery service systems, without or with some linkages with government and the private banking system.

## **F. Overview**

This research report presents analyses, perceptions and projections of the housing situation in the Philippines and the framework of policies, structures and programs for government-initiated housing. This should serve as a context for understanding and appreciating the informal sector of financing for housing.

The main bulk of data pertains to the alternatives and solutions to the housing situation, presenting first the international and local scenarios in order to show the extent of efforts. The profiles and models of housing strategies by different organizations are presented, compared and analyzed. In addition to the samples from Manila, Davao, Cebu and Baguio, the study also maximized the use of the data gathered by showing the general profiles of other organizations and housing projects outside of the study sample sites. The conclusions and recommendations focus on the policy implications of the research data.

## II. THE PHILIPPINE HOUSING SITUATION: NEEDS, GAPS AND ISSUES

There is currently an increasing public awareness of the critical situation of housing in the Philippines. A mix of factors are perceived to make housing a problem. One set includes increasing population, lower incomes and unemployment, rural poverty, continued migration to and squatting in urban areas, and urban poverty. On the other hand, the high costs of rent, construction, and the inadequate provisions of both government and private sector housing programs make it difficult for people to acquire decent and affordable houses.

### A. Who Needs Housing?

It is said that there are about three million homeless Filipino households and more than 500,000 dwelling units needed yearly by the nation's growing population. Metro Manila has 3.4 million squatters, it is expected this will reach 5.4 million in four years (*Manila Chronicle*, 23-29 January, 1993: 1). Other data show that in Metro Manila alone, 7 out of 10 families do not own their houses while 1 of every 4 households is a squatter (Mangahas, *Public Administration Bulletin*, March 1993: 11; *Manila Bulletin*, 1 February 1993).

With the pattern of land ownership, high costs of construction, and scarce credit, even middle-middle class groups are forced to live in slum-areas (David, *Philippine Daily Inquirer*, 17 March 1993). Overcrowded squatter populations have an average floor area of 36 square meters. Furthermore, a joint study of the Department of Health and the National Statistics Office reveals that 53.2 percent of households live in houses less than 30 sq. meters (Ibon 30 April 1991; Mangahas 1993). Unemployment, absence of or low income, poverty, and subsistence levels can make acquiring land and housing a difficult endeavor. Below is the profile of urban and rural poverty in the Philippines.

Table 1. POVERTY AND SUBSISTENCE LEVELS, 1985

	Magnitude of Families in Poverty	Magnitude of Families in Subsistence
PHILIPPINES	5,676,600	2,429,200
NCR	530,500	84,500
OUTSIDE NCR	5,126,100	2,344,700
URBAN	1,325,400	488,100
RURAL	3,800,700	1,856,600

Sources: *Development Research News*, May-June 1989, p.2; *Medium Term Philippine Development Plan*, 1987-1992, NEDA.

**The Urban Poor.** Survey studies on the urban poor tend to show that basic economic problems spawn other problems, particularly on housing (S.H. Guerrero in *NEDA Housing in the Philippines*, 1975: 12). Low incomes make it difficult to finance ownership of dwelling units. Costs tend to be higher in urban areas than in rural areas because in the latter case cheap labor and low standards of housing units offset the cost of construction materials (Bernal and Tan in *NEDA Housing* 1975: 123).

**Rural Poor.** Poverty in the rural areas and the influx of the rural folks into crowded cities are often seen as related to urban problems. Land reform and the *Balik Probinsia* programs are expected to alleviate the plight of the rural poor. While the urban poor have the Presidential Commission on the Urban Poor, there is no government agency to address the welfare needs of the rural poor (Victoriano, *PRISLIHA Newsletter* January 1993: 1).

**Squatters, Eviction, and Demolition.** The housing problem of the poor as indicated by squatting, becomes complicated because of acts of eviction and demolition by land owners and government. The Urban Development and Housing Act of 1992 states that eviction or demolition as done before will no longer be permitted. But this can still be done under certain situations as when ordered by the court, or when there is a funded government infrastructure project, or there is danger to the people. Hence, urban poor organizations prepare their resources and strategies to protect their rights (Urban Poor Associates 1992).

## B. Housing Gap

The idea of "housing gap" does not mean simply the difference between how many people need to have a place to stay that is called a house and how many houses are available for them to occupy, and even better to own. As mentioned in the previous section, there are different notions of housing need and housing demand, considering income and ability to borrow, in relation to the costs of acquiring, or even owning a house (Casanova 1983; E. Guerrero 1977; Angeles 1985).

According to NEDA, housing need consists of both housing backlog and future housing needs (Development Research News, May-June 1989: 1). "The housing backlog refers to those households which are substandard units, including those in sites and services programs and those requiring slum upgrading." "The future needs refers to the new houses needed as a result of new households formed, of the rural to urban in-migration and of old and dilapidated houses which have to be replaced."

The National Economic and Development Authority (NEDA) projected the need for 3.38 million dwelling units for the period 1987-1992 (Ibon 31 December 1990; *Development Research News*, May-June 1989: 1; see also Table 2 of this paper). An overview of the housing situation (Mangahas 1993) showed that:

- ▶ in 1987, housing need stood at 531,000 dwelling units, while housing production through government assistance was 34,462 dwelling units or 6.49 percent of the total demand for shelter. This resulted in a backlog of 496,538 houses. The government was able to increase its output by 50.81 percent, or 9.54 percent of the total housing need but, the backlog remained to be high at 493,029 units;
- ▶ between 1989 and 1992, government shelter assistance versus the housing need ranged from 15.32 to 19.02 percent. The housing backlog dipped to 472,515 units in 1989 but it increased to 479,418 units in 1992;

- ▶ after 1992, the housing need accumulated to some 3.38 million housing units. Of this, only 14.25 percent of which, or a total of 481,127 dwelling units were produced by the government, resulting in a backlog of 2.89 million units.

For the period from 1987 to 1992, the projected housing needs by income range and general location (urban-rural) reached 2,815,000 units. This can be compared to government housing assistance targets of 525,000 with a balance of 2,290,000 needing other financing. (CFI 1989 Study Appendix 13-E citing Medium Term Development Plan 1987-1992).

Financial requirements projected in the Philippine Development Plan show the total need for P182,850,000,000 compared to total government housing assistance targets of 24,985,000,000 and to the balance needing other financing at P157,865,000,000 (CFI Study 1989 Appendix 13-F citing Medium Term Philippine Development Plan 1987-1992).

With the amount of backlog in housing, an increasingly wider gap between housing need and supply will occur, unless a faster rate of construction and improvement activities is undertaken. (Angeles 1985: 14; *Daily Globe* January 28, 1992 citing recent CRC survey that the backlog in urban housing has reached enormous proportions). The projected housing need until 1992 is shown in Table 2.

**Table 2. PROJECTED HOUSING NEEDS, 1987-1992**  
(Thousand Dwelling Units)

	1987	1988	1989	1990	1991	1992
<b>PHILIPPINES</b>	531	545	558	570	580	592
<b>RURAL AREAS</b>	285	290	294	297	299	303
<b>URBAN AREAS</b>	264	255	264	273	281	289
<b>NCR</b>	91	93	96	98	98	100
<b>REGION I</b>	11	11	12	12	13	14
<b>REGION II</b>	5	5	5	5	5	6
<b>REGION III</b>	27	28	29	31	32	33
<b>REGION IV</b>	31	32	34	35	36	37
<b>REGION V</b>	9	10	10	11	11	11
<b>LUZON</b>	83	86	90	94	97	101
<b>REGION VI</b>	15	15	16	16	17	18
<b>REGION VII</b>	15	16	16	17	18	18
<b>REGION VIII</b>	6	7	7	7	7	8
<b>VISAYAS</b>	36	38	39	40	42	44
<b>REGION IX</b>	5	5	6	6	6	6
<b>REGION X</b>	11	11	11	12	13	13
<b>REGION XI</b>	14	15	15	16	17	17
<b>REGION XII</b>	6	7	7	7	8	8
<b>MINDANAO</b>	36	38	39	41	44	44

Sources: *Medium Term Philippine Development Plan 1987-1992*,  
NEDA; *Development Research News*, May-June 1989, p.1

### C. Budget Allocation for Housing

About P300 billion in shelter investment, which amounts to 90 percent of the national budget for 1993, is needed to eliminate the nation's housing backlog (*Manila Bulletin*, 1 February 1993). The amount of P846 million or 0.25 percent of the P330 billion national budget is currently allocated for housing. Debt service payments and defense expenditures accounted for 37.1 and 8.5 percent, respectively (*Philippine Statistical Yearbook* 1992; Mangahas 1993). The table below shows the sectoral allocation for housing compared to other sectors from 1990-1992.

**Table 3. HOUSING NEEDS AND GOVERNMENT HOUSING ASSISTANCE,  
1987-1992**

Year	(A) Gov't. Assist- ance	(B) % Inc./ Dec.	(C) Housing Need	(D) % Inc./ Dec.	(E) Asst. vs. Need	(F) Backlog (C-A)
1987	34462		531000		6.49	496538
1988	51971	50.81	545000	2.64	9.54	493029
1989	85485	64.49	558000	2.39	15.32	472515
1990	93850	9.79	570000	2.15	16.46	476150
1991	102777	9.51	580000	1.75	17.72	477223
1992	112582	9.54	592000	2.07	19.02	479418
<b>TOTAL</b>	<b>481127</b>		<b>3376000</b>		<b>14.25</b>	<b>2894873</b>

Sources: Ibon, 15 September 1991; *Public Administration Bulletin*, March 1993.



**Table 4. SECTORAL ALLOCATION OF EXPENDITURES, 1990-1992**

<b>PARTICULARS</b>	<b>LEVELS</b> <b>(In Billion Pesos)</b>		
	<b>1990</b>	<b>1991</b>	<b>1992</b>
<b>TOTAL</b>	225.8	298.9	308.4
<b>SOCIAL SERVICES</b>	49.1	65.0	67.4
Educational and Manpower Development	33.5	38.8	40.3
Health	7.9	9.5	11.2
Social Security, Labor and Employment	2.2	5.9	5.9
Housing and Community Development	0.7	0.8	0.8
Land Distribution	1.5	2.6	2.5
Others	3.3	7.4	6.7
<b>ECONOMIC SERVICES</b>	51.9	59.0	66.8
Agriculture, Agrarian Reform and Natural Resources	15.1	18.0	18.7
Trade, Industry and Tourism	1.7	1.4	1.7
Power and Energy	6.8	1.8	2.5
Water Resources Development	3.8	4.0	4.8
Communication and Transport	17.1	22.3	25.2
Others	7.4	11.5	13.8
<b>DEFENSE</b>	22.7	25.2	26.3
Domestic Security	14.5	15.9	17.5
Peace and Order	8.1	9.3	8.8
<b>GENERAL PUBLIC SERVICES</b>	23.6	26.1	33.3
<b>DEBT BURDEN</b>	108.5	123.6	114.5

Sources: Department of Budget and Management;  
*Philippine Statistical Yearbook*, National Statistical Coordination Board, Makati, Metro Manila, 1992.

## **D. Issues on Housing**

A summary listing of issues on housing will show the scope of the tasks to be undertaken. Alternative Planning Initiatives Inc. or ALTERPLAN lists the first five items, deriving these from the problems identified by the UN Centre for Human Settlements (1988; Castillo, Biglang-Awa, Domingo 1991: 3-5). The others in the list were taken from a survey of existing studies (Part I of this report) and from the news collection of Ibon Data Bank (1990-1992).

### **1. Lack of access to land and of security of tenure**

As a result of migration from rural areas, squatting is projected to increase by 11 percent yearly. This problem is also closely linked to inappropriate development planning which encourages inflationary land speculation that puts land acquisition in urban areas out of the reach of poor households.

### **2. Lack of access to financial mechanisms**

The urban poor do not have access to economic opportunities such as secure jobs and formal credit. Even existing government housing finance programs are not availed of by more urban poor families because they are too limited to physical improvement and are not tied up with programs providing livelihood.

### **3. Lack of access to affordable building materials**

The Institute of Social Work and Community Development of the University of the Philippines says that urban poor families earmark only 3 percent of their family budget to housing. These families typically earn less than the poverty income of P3,282 monthly, which means that they can afford less than P98.46 monthly for rent, amortization, or repair of housing.

The National Statistics Office (quoted in *Business World* 17 August 1989) places housing construction cost at P3,296.39 per sq. meter as of March 1989, up from P2,260.65 in December 1988. The prices of construction materials steadily rose by 10 percent every one or two months since the start of 1989. By the end of that year, houses cost P3,500 to P4,000 per sq m, using conventional materials.

### **4. Lack of institutional framework to support housing**

Concerted government action is necessary to address housing. The coordinating body concerned with housing should be given more real power to provide social services, and more direct links with national planning agencies, and more channels for people's participation.

According to the National Housing Authority (NHA), 578,000 units need to be built within the period from 1986 to 1990. Of this number, only 109,000 or 18.55 percent could be covered and delivered by the government budget.

Since poor families are forced to adapt to unfavorable conditions; they have shanty communities which are considered eyesores, but which serve the purpose of providing a roof for people who can then go about their everyday business of making a living. Their contribution to housing development is unfortunately perceived as blight even as conventional housing remains out of reach for them.

**5. Lack of participation of the poor in planning and decision making**

Clearly, the poor need help, but to define their need for housing from an outsider's point of view and set of standards will only impose a burden on them. Conventional housing or "socially-acceptable" housing is usually perceived by the poor as extra expense for them. Housing programs that did not involve the people's participation in problem identification and planning, or that merely relied on their cooperation during implementation, have failed. It is within this context that government and other development agencies must shape their goals to provide housing.

**6. Inadequate or low income levels compared to costs of government and private sector housing programs**

With inadequate or low income comes little or no access to formal financing systems. Hence, the poor can hardly benefit from government housing packages. Some low-cost housing packages require monthly amortization of at least P515.44 (Ibon 15 September 1991). It is estimated that some 70 percent of the household population have monthly income much less than this. Given the present scheme, the poorest 30 percent of the household population have very little hope of getting decent shelter. With rising costs, housing will even be less affordable to the many poor.

**7. Lack of attention on the housing need and demand of middle income groups**

It is said that the upper high income groups are able to finance their house and lot ownership and have access to formal and government credit mechanisms. Low cost and social housing of government are intended for the low income groups. But while the middle income groups may have affordability and access to low cost housing, they have their own aspirations for the kind of housing they need. But the middle income groups cannot afford the kind of housing for higher income groups.

**8. Need for alternatives to conventional notions of housing**

To consider whether or not efforts for housing constitute an alternative, it is useful to take into context the government's notion of housing (which in a sense can be referred to as conventional). In dealing with housing, the 1980 Census of Population and Housing used the terms "building" and "dwelling unit."

A building is any independent free-standing structure comprising one or more rooms or other spaces, covered by a roof and enclosed within external walls or walls dividing it from adjacent buildings, which walls usually extend from the foundation to the roof. It usually contains one or more rooms internally connected with one another. A building therefore is any structure intended for dwelling, storage, factory, shelter, or for some

other useful purposes. (NEDA-NCSO, Manila, 1980. Census of Population & Housing, Vol. 2, National Summary, May 1983).

A dwelling unit is a separate and independent place of habitation by one household, or one not intended for habitation but occupied as living quarters by a household at the time of the census. Dwelling units counted included those that were both occupied and unoccupied (pp. xvi-xviii).

The census assigned a serial number to a house or any kind of building or shelter where people were actually living.

Batas Pambansa No. 220 (BP 220) intended to make housing units affordable to average and low income earners by authorizing the Housing and Land Use Regulatory Board (HLURB) to establish and promulgate development and construction standards different and lower than those set under PD 957 and the National Building Code. Relaxation of the standards also aims to encourage private sector participation in low income housing.

**9. Ineffective implementation of low cost housing and social housing programs of government**

This issue refers to the administration of housing programs in relation to their goals. But it is a matter not only of organization and management but also of policy formulation that can make housing affordable and accessible.

This issue indicates the need to review the policy framework, structures, and implementation with respect to housing. An overview of the Philippine National Shelter Program will set the context for determining to what extent other efforts can be called alternatives.

### **III. FRAMEWORK OF POLICIES, PROGRAMS AND STRUCTURES FOR HOUSING**

The present-day challenge to government housing policies and programs goes straight to the core of its provisions and strategies. The Government Service Insurance System (GSIS) and the Social Security System (SSS) easily come to mind as the government's mechanisms to allow employees in government and private entities to avail of loans for housing. However, studies and observations indicate that efforts in these areas in the past years are no longer enough to deal with the need for home financing.

#### **A. Pitfalls of Government Financing in Housing**

The government's concern for housing can be traced back to the pre-war and early post-war periods. Such concern was directed mainly toward the public health dimensions of the housing problem and assistance to slum dwellers. By July 1936, Commonwealth Act 620 mandated that the friar estates be subdivided into home lots or small farms. Since then, different agencies of government have evolved one after another. For instance, the People's Homesite Corporation (1938) was set up and phased out (see Ocampo 1976, Quiñones 1974, Angeles 1985, for the history of housing; see Mangahas 1993 for summary situationer).

The legislation of Republic Act 580 created the Home Financing Commission, later changed to the Home Financing Corporation (1959). This activated the Government Service Insurance System (GSIS), Social Security System (SSS), and Development Bank of the Philippines (DBP) as providers of housing loans (See Appendix Home Financing Act, Republic Act No. 580, Amended By Republic Acts Nos. 1557 & 5488).

The Marcos years saw the proliferation of projects and agencies, including the National Housing Authority (1975) and the Ministry of Human Settlements (1978). Basically, government housing interventions targeted low income groups. The National Shelter Program (1978), in its financing scheme, also targeted low income groups. It drew the participation of private sector financial institutions to enable more people to obtain housing loans.

During the administration of President Marcos, three agencies played important roles: the Home Development Mutual Fund (HDMF), the National Home Mortgage Finance Corporation (NHMFC), and the Home Financing Corporation (HFC).

The HDMF Pag-ibig Fund granted housing loans to members. Government and private sector employees or self-employed individuals become members by contributing some percentage of their salaries to the Fund. The NHMFC gave housing loans by acting as a secondary market for home mortgages. The HFC guaranteed development and construction loans given to real estate developers by financial institutions.

Statistics through the years reflect the government's track record as a provider of home financing. Contributions from employees were put into housing loans of SSS and GSIS members.

However, observations brought out some salient points against the system. Basically, the smaller group of higher salaried employees could afford the cost of construction and amortization for the acquisition of house and/or lot. However, the majority of middle and lower salaried employees could not. The financing system was biased against the greater majority. (Quiñones 1974; Keyes and Burcroff 1976).

In the case of loans under the HDMF Pag-ibig Fund and NHMFC, observations also tend to highlight the advantages of the higher income groups. In effect, the low and middle income groups are still out of the reach of government financing opportunities for house and lot ownership and/or improvements (Angeles 1985: 76). It appeared that government efforts were "piecemeal, uncoordinated and lacking in direction" (Fabella 1987 cited in Mangahas 1993: 11).

## **B. Changing Directions of Government Policy**

The shifts in some areas of government policy and programs on housing finance came in line with global efforts directed at the problems of the poor and the homeless. The Global Shelter Strategy (GSS) and the Philippine National Shelter Strategy (PNSS) addressed, in principle, the lingering worldwide and local issue of the housing insufficiency (Consultation-Workshop on the Formulation of Regional Shelter Strategies, December 1991. Jointly sponsored by the United Nations Centre for Human Settlements, Government of Finland and the Philippine Housing and Urban Development Coordinating Council)

**Global Shelter Strategy.** In the United Nations Resolution on GSS, "Shelter Strategy" is defined as a plan of action which:

1. Defines the objectives and priorities for development of shelter conditions;
2. Identifies resources available to reach these objectives and ways of strengthening the resource base;
3. Defines activities to achieve objectives most efficiently with available resources; and,
4. Outlines responsibilities and time frame for implementation.

The goal of the GSS is adequate shelter for all by the year 2000. This will need the development of all possible tools and resources at the national level. Therefore, all governments were urged to develop their own integrated national shelter strategies based on an enabling approach. Such a strategy can also greatly contribute to economic growth and social stability.

Enablement and affordability are the key concepts of the GSS.

Enablement means moving away from policies advocating direct public sector participation in the provision of shelter to policies which facilitate the shelter-related action of other sectors, i.e, the private sector, nongovernment organizations (NGOs), community-based organizations (CBOs) and community associations (CAs) and the household or users themselves. Through capability building policies more resources are mobilized for housing, more people have access to improved shelter, and above all people themselves have a greater role in decisionmaking.

Shelter solutions must be affordable to the lowest-income groups. Policies and strategies must also be within the economic carrying capacity of society so that the scale of the need can be met with the resources available - finance, land, manpower and institutions, building materials and technology. Solution toward capability and affordability are necessary to ensure the economic sustainability of shelter action.

**Philippine National Shelter Strategy.** The Philippine Shelter Strategy Formulation Project is one of the six country projects being implemented under the umbrella of the "Support Programme for Preparing National Shelter Strategies." This is in support of the UN Programme on Global Strategy for

Shelter (GSS) to the Year 2000. (Joint programme by the Government of Finland (GOF) and the United Nations Centre for Human Settlements (UNCHS); Project PHI/89/FO2; 1990-1992).

The United Nations has learned from universal experience during the past 20 years that a project-by-project approach is not enough to solve a nation's housing needs. The provision of shelter to a large number of people across the nation necessitates a wider framework known as the Shelter Strategy.

### **C. Features of the National Shelter Program**

An overview of the National Shelter Program, its objectives, strategies, programs, and structures will help in understanding the operations of government under the Aquino (1986-1992) and Ramos (1992-) administration.

The comprehensive National Shelter Program intends to provide people, particularly those at the lowest 30 percent, with adequate housing facilities through affordable financing packages. Its objectives (as presented in the Consultation Workshop on the Formulation of Regional Shelter Strategies 1991) include:

1. Increased accessibility of home ownership to lower-income families;
2. Stable, sustainable and viable long and medium-term home financing;
3. Security of land tenure for Urban Land Reform (ULR) areas and Areas for Priority Development (APDs);
4. Prevention of unauthorized and unplanned squatting;
5. Greater private sector participation, both formal and informal;
6. Equitable distribution of benefits to the geographic regions of the country.

The essential strategies of this program are:

1. Government emphasis on mortgage financing;
2. Focus on lower-income urban groups through the social mortgage window;
3. Establishment of a land policy program;
4. Emphasis on self-help techniques through informal sector participation;
5. Liberalization of physical housing standards;
6. Improved institutional capabilities.

Aside from this direction toward using economic housing strategies, the program also calls for some form of socialized housing by way of:

1. A "basic sites and services strategy" with a lot of "self-help" for socialized housing.
2. Minimum building standards that further liberalize standards set by BP 220.
3. Review of legislation related to housing and urban development.
4. Private sector involvement and participation.
5. Community mobilization in all stages of development (especially in Social Housing areas).

## **D. Overview of the Shelter Programs**

From the various information handouts of shelter agencies, the main program components for housing are:

### **1. Production of Housing Units, Resettlement, and Slum Upgrading**

Slum upgrading covers changing squatter colonies into wholesome communities. Sites and services help beneficiaries avail of existing livelihood opportunities. Resettlement means relocation from danger areas. New low cost housing units are construction for the low income groups.

### **2. Development Loans**

This program area for development loans extends assistance to private developers and land owners who are in need of funds to mobilize their land. It mobilizes financing for shelter either via direct loans or through a system of guarantees to financial institutions for the use of their funds.

### **3. Regular Mortgages**

Financing programs for long term buyers service both members and nonmembers of the funding institutions. Originating entities, banks, or developers provide either a "turn-key" or "interim" financing through the NHMFC. Mortgage take-out is done through the Unified Home Lending Program.

### **4. Community Programs**

Different types of community programs aim to meet the shelter needs of the Urban Poor through the provision of security of tenure to occupants of blighted or depressed areas. By organizing themselves into a cooperative or association, they may avail of a three-phased financing program, the first for land purchase, the second for site development, and finally for home construction or rehabilitation by each occupant.

### **5. National Government Center Housing Project (NHCHP)**

Through Proclamation No. 137 and Memorandum Order No. 151, 150 hectares in the National Government Center currently occupied by squatters are being developed for housing and distributed to its present 180,000 family occupants who have been living there for the past 25 years. This project is being undertaken through close coordination among government shelter agencies and the private sector and is envisioned to serve as a prototype for socialized housing project and self-reliant new community.

The programs expect to meet the housing preferences and needs of the people whether these be incremental acquisition and ownership or outright purchase or rental for eventual ownership (*Development Research News*, May-June 1989, pp. 2-3). The loan packages try to make housing loans accessible and affordable to the varying income groups shown below.



**Table 5 . Percentile Housing Loan Ceiling**

Percentile	Housing Loan Ceiling
30th up to	P 80,000
50th over	80,000 to 120,000
70th over	120,000 to 240,000
80th over	180,000 to 240,000
90th over	240,000 to 300,000

Source: *Development Research News*, p.2.

In summary, the government house financing system consists of three types: (1) individual homeowners financing, (2) community financing and (3) developers financing. The strategy expects to increase private sector participation in different aspects of shelter delivery. The programs expand the opportunities for availment of loans for three groups of beneficiaries, namely, the individual, the community, and the developer. Direct production of housing units and upgrading of slum areas provide the main inputs for the urban poor.

#### **E. Overview of the Implementing Mechanisms**

The Housing and Urban Development Coordinating Council (HUDCC), created through Executive Order No. 90, becomes the highest policymaking and coordinating office on shelter. Its main functions include:

1. Formulation of goals and strategies for housing;
2. Coordination of agencies in housing;
3. Monitoring of targets;
4. Encouragement of private sector participation;
5. Propose for new legislation;
6. Formulation of policies for asset disposition.

To put the program into action. Executive Order 90, signed by President Aquino on December 17, 1986, was able to :

1. Identify the government agencies essential for the National Shelter Program (NSP) and define their mandates;
2. Created the Housing and Urban Development Coordinating Council (HUDCC); and,
3. Rationalized funding sources and lending mechanisms for home mortgages and other purposes.

For the purpose of strengthening the existing coordinating mechanism of the National Shelter Program of the government, Executive Order No. 357, signed on May 24, 1989, mandated the HUDCC to:

1. Exercise overall administrative supervision over the housing agencies, subject to the direct control and supervision of the President of the Philippines;
2. Be responsible for meeting targets and objectives for the housing sector;
3. Ensure full coordination and integration of the organization, programs, and projects of the key housing agencies and their decentralization for the equitable regional distribution of housing benefits.

With the different agencies to carry out the shelter programs, specialization as well as coordination of functions would be essential to attain policy objectives. Below is a brief overview of these agencies.

**A. Key Agencies**

**1. National Housing Authority (NHA)**

This is the sole government agency in direct production of houses for the lowest 30 percent of the population, that is the low and marginal income groups. Programs for the squatters and low income groups as direct beneficiaries include (a) slum upgrading or on-site development, (b) sites and services, (c) resettlement projects, (d) new housing construction. The Joint Venture Program directed at private sector or local government units aims at encouraging the production of low cost housing units.

**2. National Home Mortgage Finance Corporation (NHMFC)**

This is the major government mortgage institution, the main implementing agency of the Unified Home Lending Program (UHLP). It is the major government home mortgage institution whose initial main function is to operate a viable home mortgage market, utilizing long-term funds principally provided by SSS, GSIS & HDMF as funding agencies for the purchase of mortgages initiated by both private and public institutions based on government-approved guidelines. It implements the following programs :

- a. Community Mortgage Program for community associations to acquire land, develop the land, and construct the houses. Each member of the community association may borrow from P30,000 to P80,000.
- b. Social Housing Development Loan Program run by the Special Project Department of the NHMFC allows development of property and/or house construction. It charges 12 percent per annum for the Unified Home Lending Program packages of P100,000 and below; and 14 percent per annum for packages above P100,000 up to P150,000.

- c. **Social Housing Support Fund or the *Abot Kaya Pabahay* provides amortization support for low income families and development financing for developers or proponents of low income housing project. It provides individuals with amortization support for the first five years of the housing loan for packages not exceeding P80,000, and for loans between P80,000 and P100,000.**

**3. Housing and Land Use Regulatory Board (HLRB) formerly Human Settlements Regulatory Commission**

**This is the sole regulatory board charged with liberalizing housing standards to make shelter more affordable. A set of amendments have been promulgated to make BP 220 more liberal for social housing and at the same time more comprehensive to cover the entire range of the UHLP.**

**4. Home Insurance and Guaranty Corporation (HIGC) formerly the Home Financing Corporation**

**This is the agency for a viable system of guarantees and loan insurance. Its main task is to provide incentives for greater private sector participation in both housing production and financing. This is done primarily through the provision of insurance and guarantees which make bank loans to both developers and buyers risk-free. It has opened up its developmental guaranty windows and assists low-cost housing developers in raising their financing requirements.**

**It runs the Cooperative Housing Program which assists cooperative associations on housing in project study and management skill needs. The HIGC acts as financial controller during the term of the guarantee loan. It guarantees the loan principal plus interest and oversees the required trust fund by the Cooperative Housing Association.**

**B. Fund Source Agencies**

**Home Development Mutual Fund (HDMF) - voluntary savings scheme for housing**

**Social Security System (SSS) - primary provider of funds for home mortgages of private sector employees**

**Government Service Insurance System (GSIS) - primary provider of funds for mortgages of government employees**

**C. Other Support Agencies**

**National Economic and Development Authority (NEDA)**

**Department of Public Works and Highways (DPWH)**

**Department of Finance (DOF)**

**Department of Budget and Management (DBM)**

**Development Bank of the Philippines (DBP)**

**Presidential Management Staff (PMS)**

1. Community Mortgage Program (CMP) by the NHMFC;
2. Group Land Acquisition and Development Program (GLAD) by HDMF/ PAGIBIG;
3. Rental Housing Construction Loan Program;
4. Cooperative Housing Program of the HIGC.

Complying with certain requirements, tenants from depressed areas can still avail of the CMP for them to be able to own the lot they occupy. The beneficiaries should first form and register with the SEC a community association, cooperative or condominium corporation that will initially own and mortgage the land. Then, the individual beneficiary's rights and eventual ownership of the land will be done through a lease purchase agreement with the community association accredited with the Presidential Commission on the Urban Poor (CMP Handout).

GLAD is similar to the CMP but is intended for organized groups of at least 20 Pag-ibig members. This is for the acquisition and development of raw or partially developed land for housing units. The Rental Housing Program provides Pag-ibig employers and members financing for constructing rental housing units for employee-members. The Cooperative Housing Program allows the middle-income bracket to do nontraditional production of houses by homeowners through the Community Housing Association (*Philippine Development Report 1991: 279-280; NHA, HIGC handouts 1993*).

The Cooperative Housing Program "aims to encourage the nontraditional production of houses by the home seekers themselves through a cooperative housing association organized for the purpose with the technical assistance of government and private financial institutions" (HIGC Primer on Cooperative Housing).

This program involves two government agencies: the NHMFC as provider of developmental financing and long term mortgage financing and the HIGC which uses the credit facility of the NHMFC and provides the assistance to the housing cooperative.

The cooperative housing association need not purchase from a traditional developer an individually built house. This means savings by eliminating the developer's costs and profits. After the house production, the individuals in the association assume ownership, mortgage and other long term obligations.

Cooperative housing involves a different concept compared to other associations. At least twenty (20) nonhomeowners can put up a cooperative with the main objective of producing housing units in a common site for the members. Each member contributes to equity buildup and pays monthly amortization.

With opportunities in the financing of housing provided by the new directions set by the government, is it to be expected that the housing needs of those deprived of shelter will now be met? Have the targeted communities responded to the government's offer by taking action to avail of the programs? Or have the target communities or beneficiaries opted to work out other workable and viable schemes without government assistance or with only some form of linkage and assistance from the government?

In the next section, the alternatives initiated by community-based, nongovernment, voluntary people's organizations will be described and analyzed. This is to derive alternative models and ways by which housing can be obtained by other groups.

#### **IV. IN SEARCH OF ALTERNATIVES**

The emergence of nongovernment organizations, people's organizations, and other community-based entities was the result of the organizing efforts of the cooperative conscious leaders. These individuals organized and mobilized people either by communities or by sectors such as farmers, laborers, or fisherfolk.

Eventually, projects for the development and welfare of the people took roots and were sustained over the years. They, in fact, had more success than government projects. In politics, "people power" brought about the downfall of the Marcos regime. In housing and urban development, the general aim of empowering the urban poor organizations succeeded in influencing the draft bill on housing to suit the needs of their sector. Another achievement of urban poor lobbying is that it prodded the government to shift to community-oriented programs under the general aim of empowerment.

The constitution of 1987 now enshrines the role of NGOs and POs and the private sector in national development. By now, nongovernment organizations and people's organizations actively generate resources and mobilize action through strategies distinctly different from the strategies employed by the government.

To address the problem of housing and the search for alternative financing schemes, this study presents the efforts of such community and people's organizations. The first part presents the international framework and the second part presents the Philippine experience.

##### **A. The International Definition of Cooperative Housing**

The International Cooperative Alliance (ICA) defines a cooperative as a "legally incorporated group of persons, generally of limited means, pursuing the same economic purpose." In a cooperative, membership is voluntary and control is democratic. Members make an approximately equal contribution to the capital required in order to meet a common need, like housing.

The ICA then defines a housing cooperative in the following manner:

1. It has to be a legally recognized body with power to do all those things which could be done by an individual carrying on his own business.
2. It has to be democratically controlled, each member having one vote, without considering the number of shares.
3. Members make an approximately equal contribution to capital, through which they should receive a fixed rate of interest.
4. Profits are not distributed, as with most cooperatives, in proportion to the members' business with the cooperative, but as a limited return on capital. If profits occur beyond that, these are used for the general benefit of the membership.
5. Membership is voluntary and members may retire if the organization ceases to meet their needs.

6. The organization aims at social purposes, principally the provision of good housing at low costs, and is not aimed at maximizing profits.
7. It is not a government but a nongovernment organization (*Unity Conference on Cooperative Housing Handout No. 5 1992: 4*).

In almost all countries, housing cooperatives are registered and incorporated bodies. They have the power to buy, sell, own, and mortgage property, borrow and lend money, sue and be sued, all in the same way as a natural person.

Incorporation usually takes place under an Act of Ordinance, which also applies to cooperatives formed for other purposes. Housing cooperatives may or may not fall under a special section of this act. General Cooperative Laws, which include housing cooperatives, exist in Great Britain, France, Germany, Austria, Sweden, Switzerland, Czechoslovakia, Poland, most countries in Latin America, and in the United States. There are special cooperative housing laws in Italy. In Denmark and Norway, there are no cooperative laws, although Norway has special housing fora which approximate cooperative housing, the so-called "cohousing" (Agbon 1991: 7).

Housing cooperatives can be classified according to their objectives. One very common type is that which is dissolved once its objective has been attained, i.e., the completion of the housing units, or the repayment of its loans. Another kind of cooperative under this classification is the permanent kind, which is not limited to a single or a number of objectives. In this kind of housing cooperative, the main concern is the value of cooperation, which is then applied to attain the community's endless set of needs.

Another classification is the ownership of the house or housing unit. Under this classification, dwellings can be collectively or individually owned. In this set-up, only the cooperative can buy the house of a withdrawing member.

The International Cooperative Alliance classifies housing cooperatives into four types :

1. Limited objective cooperative. This is organized to perform specific services for its members such as acquiring land and subdividing it for the members, entering into contracts for the infrastructure, or assisting in construction. This type of cooperative is terminated once the objectives are attained.
2. Multiple-mortgage cooperative. This provides members with legal titles to their units while retaining the title to common areas and facilities.
3. Single mortgage or mutual ownership cooperative. This cooperative retains title to the land, dwelling and facilities. It also maintains and manages the property in behalf of the members. The occupancy agreement gives a member the transferrable right to occupy the unit indefinitely. In case of death, the unit will pass on to the member's legal heirs (*Unity Conference 1992: 1*).
4. Tenant or limited equity cooperative. This cooperative builds dwelling units which are leased to members, but remain the property of the cooperative. In a sense, the member of the single mortgage type of cooperative is a longer term resident than the member of this type of cooperative because he holds an occupancy agreement which is transferable to his heirs.

The Danish experience in housing cooperatives, based on the concept of cohousing development (self-help group approach) has come up with four requisite characteristics of housing cooperatives:

1. **Participatory process.** The residents organize and participate in the planning and design process for the housing development, and are responsible as a group for all final decisions.
2. **Intentional neighborhood design.** An agreed upon physical design of the neighborhood and the dwelling units encourages a strong sense of community.
3. **Extensive common facilities.** Common areas are an integral part of the community and are designed for daily use, to supplement private living areas.
4. **Complete resident management.** Residents manage the development of the neighborhood or community, making decisions of common concern at community meetings (McCamant and Durrett: 11).

## **B. The International Experience in Cooperative Housing**

Housing cooperatives have long been in existence in the rapidly growing urban areas in developing countries. Sad to say, however, they have met only a fraction of the demand for housing in these countries.

In the industrialized countries, the contribution of housing cooperatives to the shelter needs of the populace is substantial. As in the developing countries, there is a wealth of experience in cooperative housing in the industrialized ones.

The big difference between cooperative housing in the developing and developed countries is that in the latter, regional and national support institutions are in place, coupled with the necessary government policies. In many developing countries, the process of putting up and formulating similar structures and policies is only beginning.

Among the developed countries, those who have encountered exceptional success in cooperative housing have been Canada, Australia, and Denmark. In the developing countries, the most recent success stories have been in Nicaragua, Ethiopia, Zimbabwe, and in the Philippines (*Cooperative Housing: Experiences of Mutual Self-Help* 1989: 3).

The cooperative housing movement in Canada is an example of a "multi-tiered" cooperative movement. Begun in the 1930s, it is composed of a national organization of housing cooperatives, local, regional and provincial organizations which develop new cooperatives and provide services to existing ones, associations of people employed by cooperatives, and finally, the housing cooperatives themselves. One can join the national organization directly or indirectly through membership in one of its organizations (The Structure of the Canadian Cooperative Housing Movements 1991).

Australia, for its part, has long had lending societies for housing. Housing cooperatives were recently established to complement these lending institutions. The housing cooperatives actually build houses for their members.

In Europe and North America, cooperative housing caters to middle, lower middle and even low income groups. This has been traced to the growing impact of labor movements and to rapid urbanization and industrialization. The need for housing within the work centers brought about the development of the cooperative housing movement in these areas.

The cooperative housing movement in developing countries began after World War II. The most widespread movements were found in India, Chile, and Brazil.

Many housing cooperatives in developing countries have not been able to reach the very poor sections of society due to their inability to raise the requisite financial resources and the lack of an experienced staff and an integrated training scheme. It is very common that benefits reach only 40 to 60 percent of the low income earners in the urban areas (Agbon, et al., Alterplan 1991; Unity Conference 1992: 5).

In the absence of government-supported promotive institutions, only those who are aware of the possibilities of group action usually organize the cooperatives.

Of late however, innovations have been undertaken to make cooperative housing more accessible to the low income groups. In Zambia, for example, it has been shown that by lowering building standards (and therefor building costs), housing cooperatives can be of benefit to the poorest sections of the population.

Elsewhere in the world, Pakistan has a very active housing cooperative movement. Malaysia and Sri Lanka both have their own housing cooperatives. In Hongkong, the acute housing shortage has been relieved somewhat by cooperation. In Israel, majority of the new housing projects is cooperative in nature. In Kenya, the Ismaili community has introduced many variations to the cooperative concept.

One factor that has been consistently noted for catalyzing housing cooperatives in various countries (especially in developing ones) is the failure of other systems of housing delivery to provide sufficient housing in the urban areas. Another factor that has stood out is the tradition of mutual and collective self-help, especially in the rural areas.

In the developing countries, government has been unable to provide even a small fraction of the total housing demand. In these countries, private landlords have tried to fill in the gap, but in many cases, they are unsanitary and overcrowded. Moreover, in such areas, the occupants exercise little or no control over their housing.

In the ensuing vacuum, community-based groups, foundations, and nongovernment organizations have launched many initiatives. This has resulted in the sprouting of indigenous self-help and independent housing programs in the rural and urban areas. The advantages of such an approach to housing are the following:

1. It enables the users to participate in building and financing their own housing. Through these projects, the users are given the control over where they are to live and what they are to live in. In a wider sense, it gives them the experience of participating in decision-making and of controlling their own lives.
2. It mobilizes the skill of the community and its financial resources, however meager.
3. It helps attract additional (mostly external) resources into the program.



In the matter of financing, there have been recorded experiences of housing cooperatives being born, expanded, and maintained with very little outside support, as in the cooperative movement in Zimbabwe. The Zimbabwe case demonstrates that a group with a common bond, a shared ideology and a good leadership, can achieve a great deal even in the absence of external support (*Cooperative Housing* 1989: 5).

### C. Emergence of Housing Cooperatives in the Philippines

In the Philippines, elements of the way of life before Spanish and American colonization continue to prevail. These so-called "indigenous" traits will be found among the ethnic culture groups that have preserved their way of life.

Besides these, the term "indigenous" has referred to practices, customs and values that have emerged in the historical life of the people parallel to Western ways. The term also has been used to mean the adaptation of foreign culture traits into the fabric of folk life.

The concepts of *bayanihan*, *palusong*, *og-ogbo*, *pagtambayayong*, *damayan* refer to indigenous forms of self-help, mutual help, cooperation among members of a group or within a community setting (Agbon, Alterplan 1991). *Bayanihan* is commonly understood as cooperation among people in a community to assist anyone who is in need. A typical example is neighbors carrying the Filipino *nila* hut on their shoulders to another place. *Palusong* refers to the practice of community members in helping a farmer to till, clean, and harvest his fields with only lunch or native drinks as a token of payment (Agbon citing Morales 1991). *Damayan* is the word used when one runs to the aid of another person in need.

In the area of financing, the Filipino is known to practice the so-called *paluwagan*. This is an informal grouping of persons who contribute a portion of their money to a common fund. All the members pool their contributions and one of them receives the whole or a part by lottery. The members each have a chance to receive the collective amounts during the rounds. ( See Lamberte and Bunda 1988)

The "5/6" or "five-six" is a way of borrowing and lending common to the people in communities. People in need are known to run to a person who has money and can afford to lend. In many occasions, the lenders make this a way of earning money, from interest charges. There are variations in the scheme but generally this "5/6" is characterized by high interest rates which people in dire need prefer to bank loans whose requirements they are unable to meet (Lamberte and Bunda 1988).

These elements of the way of life of Filipinos have been tapped as a means to obtain housing. Housing cooperatives now exist for mutual help in many areas.

The legislated cooperative movement in the Philippines can be traced to the cooperative movement that began in Europe. Housing cooperatives initially constituted only a small portion of the international cooperative movement. But they gradually captured attention and acceptance as a response to the need for housing.

#### **D. Conceptualization of Housing Cooperative**

At present, there are 14 housing cooperatives listed with the Bureau of Cooperative Development. The Cooperative Foundation Philippines Inc. reviewed and analyzed four housing cooperatives in a study written in 1989. Six other cooperatives were studied during the Philippine Cooperative Housing Workshop sponsored by the Cooperative Housing Foundation in July 1987. The Alternative Planning Initiatives Inc. published a study of seven cooperatives (1991) and assessed six housing organizations in its first training and needs assessment workshop (1991). The Unity Conference on Cooperative Housing for Luzon Region (1992) presented the background of four housing organizations in its conference kit.

**Functions.** The functions of these housing cooperatives essentially set them apart from other types of cooperatives. They have undertaken any one or a combination of some of the following functions:

1. Provide for housing as a common need;
2. Provide loans for housing;
3. Provide housing-related services;
4. Provide housing in the context of a community with concerns for good neighbors and facilities.

The common concerns of housing cooperatives, on the other hand, include:

1. Financing for the purchase and acquisition of land and/or lot for residential units;
2. Financing for land site development;
3. Financing for the construction of the dwelling units or house;
4. Financing for members to own individual lots;
5. Financing for members to own the dwelling units;
6. Financing for house improvements.

There are organizations that are not housing cooperatives engaged in providing housing. These are credit, consumer, and marketing cooperatives that allow loans which can be used for housing purposes, i.e. building materials, household appliances, furniture and fixtures, household repairs and improvement, and house and/or lot acquisition (Unity Conference 1992: 2; Relampagos, Lamberte, Graham 1990: 92).

**Definition of Housing Cooperative.** A housing cooperative has been defined in the following ways:

**Housing Cooperative.** This is a type of service cooperative that provides good housing at low cost to its members. It is a group of people that aims to collectively respond to the need for housing for its members. Cooperative housing projects are endeavors which seek not to generate profit, but to provide quality housing at the lowest possible cost. Cooperative housing can help its practitioners to lower total cost by taking away the layers of profits and expenses through independent planning, management, and distribution of housing units. (Unity Conference 1992)

**Regular Housing Development.** Cooperative housing differs from regular housing development in the sense that the latter is planned, managed, and distributed by people other than the end-users. Lot location, the site development plan, budget, and construction materials are decided upon by a group called developers (e.g. Ayala Land, Fil Estate). These developers put capital into these projects primarily for profit. (Unity Conference 1992)

**Definition of Housing.** Housing cooperatives provide their own definition of housing which may be compared to that used in the Philippine census.

**Housing** is a form of built environment which is more than the "dwelling" or the structure. It implies a concept of community development and its physical (utilities, structures) and nonphysical components (health, livelihood, organization, ecology, disaster, relief.) (Unity Conference 1992)

Another view is that:

**Housing** is a form of built environment, and various conceptualizations of the term "built environment" have been proposed. Minimally, environments are said to comprise relationships between people and people, people and things, things and things (Del Castillo:2; Rapoport 1989). Common to this and other conceptualizations is the essential point that built environments are more than just form or structure.

Housing carries the idea of a system or setting within which certain activities take place (Rapoport 1989). Hence, for Alternative Planning Initiatives, Inc. (Alterplan), housing suggests the concept of community development and its physical (utilities, structures) and nonphysical components (health, livelihood, organization, ecology, disaster relief). Housing is a function of economic development and land-use planning.

Alterplan observed that in the Philippines, housing is a peculiar concern of the urban areas because development has so far favored the cities over the countryside, resulting in the dense clustering of settlements in the few major economic centers.

#### **E. Aspirations and Alternatives**

The impetus for housing cooperatives came from aspirations of people to become homeowners - a parcel of land, a house, a title -- to pass on to their heirs. From the perspective expressed in housing cooperatives conferences, this turned out to be difficult for the urban poor, the squatters in the urbanized areas. They estimated continued migration at 150,000 families every year. Alterplan cited the complex situation of unemployment related to the socio-economic structure, the lack of basic services, sanitation, undesirable health and environmental conditions, lack of security in land tenure, among others (Del Castillo 1991: 2-4,10).

#### **F. Challenge to the NGOs**

Nongovernment organizations working to organize, educate, and mobilize the poor helped stimulate the people's consciousness of their capacities. The experiences of the past 16 to 20 years have shown that the people can participate in democratic processes, organize and manage themselves, and generate their own resources.

The challenge would be to channel experiences in community organizing and development to the area of housing. Capabilities learned from working with low income groups can be utilized to bring about provisions for housing. This has not been keenly observed among the middle class who need other forms of resources and have to gain access to sources of financing according to the level of their needs.

## G. NonConventional Approaches to Housing

Another terminology in alternative financing of housing is "nonconventional approaches." The study on nonconventional financing for low-income housing among the urban poor of Metro Manila explained that this assumes the urban poor avail of some form of financing (Keyes and Burcroff 1976). It said that:

In fact, only a small fraction of them (12 out of 51) had access to money for housing. Of these, eight borrowed P500 or less and only two borrowed P1,000. Of the 12 who borrowed money for housing, eight obtained the loan from personal sources such as friends and relatives; one (a softdrink delivery man) borrowed P8,000 from his labor union; and three (a company laundryman, a driver, and a construction worker) respectively obtained salary loans of P600, P600, and P375 from the Social Security System (Keyes and Burcroff 1976: 11-12)

The findings show the different forms of financing the housing needs of low income groups (Keyes and Burcroff 1976: 8-35):

1. The house is not financed through formal mechanisms but built through savings or through acquisition of building materials outside the money economy; this includes materials obtained by scavenging, collecting abandoned or collected materials from demolished buildings, or materials given as gifts from employers or wealthier friends;
2. When financing does exist, it comes from personal sources such as friends and relatives; there is no access to government or private financial institutions;
3. Savings are effected through the use of secondhand materials and nonsalaried voluntary labor; that is, self-help and bayanihan (interhousehold cooperation);
4. Housing is a process, not a product, since the construction process and gradual improvement occur over a period of several years; and
5. A major cause of apathy toward home improvement stems from the absence or lack of security of land tenure and perceived or actual government restrictions.

The above findings show that there are "true believers in the traditional grandparental admonition that nothing be wasted, squatters find use for almost anything that can be obtained" (Keyes and Burcroff 1976: 21). Initiative and resourcefulness from the people converted old wooden crates, discarded boxes, flattened out cans, and similar materials into roofs, walls, floors, or partitions.

Evidently, money borrowed from banks and government agencies did not provide the major financing resource. Instead, Filipino kinship, family and interpersonal relations played the important part in the financing.

Considering the process of materials acquisition and informal financing, building and improving the house took place over long period of time. Even within the house however, the poor who did not own the land still could not feel a sense of security due to the constant threat of eviction.

Given the scenario of so-called alternative approaches, this study will proceed to describe in more detail the mechanics of financing used by sample housing cooperatives and associations visited and surveyed. Other efforts outside of the samples will also be presented in the succeeding sections.

## **V. FINANCING SCHEMES OF SAMPLE HOUSING COOPERATIVES, NONGOVERNMENT AND COMMUNITY BASED ORGANIZATIONS AND VOLUNTARY ASSOCIATIONS**

Available lists and directories of nongovernment organizations, community-based organizations, private voluntary associations, and cooperatives, as well as referrals and information leads were used to determine the groups engaged in housing. Phone calls and initial visits helped screen out the information and narrow down the list from which the samples were drawn.

In Manila, random sampling led to the selection of the Maryville Housing Project, the housing projects of the Foundation for Alternative Development and the Samahan Para sa Angkop na Pabahay ng San Pablo Apostol (Magsaysay Village). In Cebu, Davao, and Baguio, the survey covered the few groups engaged in housing based on referrals and directory listings. These are the St. Louis University-St. Vincent Parish Multi-purpose cooperative in Baguio; the Davao City Housing and Homesite Inc, and the Davao Independent Housing Foundation; the Pagtambayayong Mutual Aid Foundation, and the Bulig sa Panginabuhì Project or BPP of the People's Cooperative Inc., in Cebu.

The limited survey to the housing sites intended to verify information and gather exploratory baseline data. Two types of questionnaires were pre-tested, revised and administered to two groups of respondents, the housing implementing staff and the users-beneficiaries. The respondents totalled 19 for the staff of implementors of the organization. There were 55 users-beneficiaries who responded to the questionnaire and interviews. Informative materials such as their constitution and by-laws and published articles were obtained to complete their organization's description. Refer to :

Appendix I	-	Questionnaire A
Appendix II	-	Questionnaire B
Appendix III	-	Respondents

The first part of the survey report in this section presents the profile of each of the housing project using the following categories of data:

1. Structural framework of the group involved in the activity of financing to meet housing needs; reasons for organizing; objectives;
2. Process of generating funds for housing;
3. Process of using or allocating funds: parties involved; beneficiaries;
4. Process of management and control: terms and conditions, particularly in the case of loans, collateral, methods of collection, sanctions;
5. Results: success or failure; lessons learned.

The survey focused on the sources of financing for the following aspects of housing:

1. Purchase of land and/or lot as site of the residential units;
2. Development of the land and/or lot as site of the residential units;
3. Construction of the housing units;
4. Loans for the individual occupant to ownership of the lot and/or the house;
5. Funds for improving the housing unit.

It also examined the structure and process for obtaining the financing, the borrowing and lending scheme (including interest, collateral, if any, and other requirements). It included the collection of payments and sanctions for nonpayment.

The survey intended to provide a picture of the size and cost of the lot and house, and of the income and occupation of the user-occupant to determine the level of affordability. It was essential to find out if the people used the opportunities provided by government for individual and community mortgage financing, and development financing. If not, then how did they put up their housing without government help?

The survey also wanted to verify the presence of the so-called indigenous elements in the organization engaged in housing. In what way have these culture traits been tapped and used?

Just as important is the system of financing and sustaining the housing association. What is the role of the organizational elements for housing and the need for financing to be able to carry out the tasks within the context of the community?

Comparing the profiles should bring out common patterns and unique features from which models of house financing can be derived. These should also provide data for the direction of government policies with respect to facilitating the growth, development, and sustainability of community-based, voluntary organizations.

## **A. The Housing Organizations**

### **1. *Pagtambayayong* Mutual Aid Foundation**

*Pagtambayayong* had its beginnings in December 1980. A group of young community organizers led by Francis L. "Bimbo" Fernandez, who were interested in buying land and building houses for themselves, pooled their savings and bought a 6.2 hectare parcel of land for P68,000.

The land was then divided into 43 plots corresponding to the 43 members of what was now a *de facto* housing cooperative. The plots were 100 sq. meters each. The size of the plots made possible a fifth of the land to be devoted to roads and other common facilities.

Early in 1981 another group, composed of 23 middle income people approached the first group and inquired how they had managed to acquire plots at such low prices. Fernandez explained to the second group the cooperative concept, and the group pooled their savings and bought a 4-hectare lot for P80,000 and proceeded to divide it among themselves.

The exploits of the first two informal cooperatives became well-known in Cebu. As more and more people approached Fernandez and his group, they realized that the cooperative system could be used to enable many people to acquire lots and build houses of their own. They also started to look for external sources of funds and approached Eduardo J. Aboitiz, a noted philanthropist in Cebu who headed the Ramon Aboitiz Foundation.

Aboitiz himself had learned about the potential of cooperative housing and was very interested to help a third group of 182 people who wanted to purchase a 31-hectare piece of land. It was at this point that Aboitiz suggested to the group that they formalize their existence so that they could better apply for help. In September 1982, the *Pagtambayayong* Foundation was founded, and the Aboitiz Foundation extended to it a loan of P315,000 to acquire the land.

Pagtambayayong Foundation set the monthly amortization at P300 for each of the lots acquired by the third group of beneficiaries. The repayment period varied between 10 to 16 years, and depended on the size of the lot and the cooperative member's capacity to pay.

There was a 1 percent monthly interest charge attached to the amortizations, on the basis of the declining balance. The land title was passed on to the purchaser at this stage, but the land remained as collateral in the event of nonpayment.

Due to the inefficiency of the involved government agencies in issuing land titles, many cooperative members had to content themselves with the security provided by their notarized contracts. The members were also allowed by the contract to sell their lands once they had completed their payments.

The system of land acquisition started by Pagtambayayong in Cebu became even more successful and popular after the third land purchase and soon many more "batches" were being formed. It responded to the people's need for cheap lots they could build their houses on, and perhaps more importantly, for the credit mechanism through which to purchase the lots.

Through the financial inputs of the beneficiaries and the help of the Aboitiz Foundation, Pagtambayayong was able to institute amortization rates way below those imposed by the formal financing institutions. To prevent delinquent payers, the rules of the Foundation provided that those who default on their payments would be evicted. Because of the unstable economic conditions in Cebu, a large number of members were unable to pay on the due dates, but to this time there have been no defaults recorded.

Despite the individual ownership of the land parcels, the cooperative mechanism has continued to operate in each of the "batches," which now number 17, including the most recent, the Calunasan Project, which will benefit 1,000 families. It has enabled the people to jointly put up infrastructure facilities like security, drainage, water supply, and roads. The cooperatives have also facilitated the collection of payments and the easy transfer of lots from one owner to another when a member decided to leave the area.

As of August 1992, the Pagtambayayong Foundation sponsored 17 groups of land buyers, involving more than 2,000 families. The latest project, Calunasan, is a joint undertaking with the Province of Cebu, with the local government donating 24.8 hectares of idle land, and Pagtambayayong contributing the site development cost, estimated at P29.8 million.

Eleven of Pagtambayayong's cooperatives funded their purchases out of their own savings, four were assisted by financing institutions, and one was aided by a grant from the Philippine Business for Social Progress (PBSP).

Four of the cooperatives, involving 274 families, are composed of low income earners -- unskilled laborers in rattan furniture factories or informal sector workers. Their dwellings used to be of the slum or squatter type, but many have improved their housing upon transferring to the plots acquired through Pagtambayayong.

## **2. *Bulig sa Panginabuh* Project (BPP)**

The *Bulig sa Panginabuh Project (BPP)* is a project of the People's Cooperative Inc. (PCI) in Cebu City. It involves 185 low income earners acquiring residential lots in Nazareth, Buhisan in Cebu City through the assistance of People's Cooperative, Inc. Begun in March 1992, the cooperative has for its members contract workers, drivers, laborers, vendors, and laundrywomen.

The PCI assistance was made possible through a special grant provided by PLAN International, an international funding agency based in Cebu. PCI then decided to create a revolving fund to be generated from the repayments made by the beneficiaries. PCI intends to use the revolving fund, once sizable enough, to purchase another residential lot to be sold to another group of low-income individuals.

The *Bulig sa Panginabuh Project* was an off-shoot of the organizing efforts of the community workers of PCI. Mrs. Elisa Coñoso, PCI general manager, when interviewed by the authors, said that the beneficiaries were formerly squatters who had been serviced by PCI's community workers. The meetings between the beneficiaries and PCI's personnel produced the idea of collectively buying a piece of land and subdividing it among the members of the budding cooperative.

The idea was communicated by the community workers to the officers of the PCI, who then negotiated for a grant from PLAN International through a project proposal. The beneficiaries' savings, however small, were combined with 15 percent local counterpart provided by PCI. When PLAN International released the grant, PCI purchased a piece of land in a hilly area in Buhisan, Cebu City called Nazareth.

People's Cooperative Inc. by itself is not a housing foundation. BPP is only one of PCI's lending programs. PCI is essentially a lending institution for small sums (the maximum is P30,000) at reasonable interest rates (3 percent based on the diminishing balance per month). Among its many kinds of loans are petty cash, instant, regular, "coop paninda," and lot acquisition loans under the BPP.

The beneficiaries of the BPP underwent a stringent screening process by the PCI staff. The qualifications for loan availment were the following:

1. Willingness to relocate to the new residential site;
2. An income of not less than P2,000 a month;
3. No real property within Cebu City;
4. Member of good standing;
5. Only one loan at a time as required by the credit committee of the PCI;
6. Nonmember of the SSS or the GSIS.

Unlike other loans handed out by the PCI, the BPP housing acquisition loan has an interest rate of 6 percent per annum payable within seven years. The land title remains under the name of PCI and is to be transferred to the beneficiary only upon full payment of the land. The manager of the PCI keeps the documents in a vault in the PCI office on F. Ramos street in Cebu City.



The cooperative system instituted through the efforts of the beneficiaries and the community workers of the PCI and the grant provided by a foreign lending institution made possible the extremely affordable interest rates and the short repayment schedule. The low income beneficiaries of the BPP could not have afforded the interest and amortization payments exacted by a formal financing institution. The survey conducted revealed that the incomes per month of the beneficiaries ranged from a low of P1,500 to a high of P2,500.

The PCI has also extended loans to the beneficiaries for house construction. A maximum of P45,000 can be borrowed under this scheme, also at 6 percent interest. Together with the land acquisition loan which has a ceiling of P26,250, the monthly payments of a BPP beneficiary amounts to an average of P443.

The beneficiaries, to be sure, have also invested a lot of "sweat equity" into the development of the hilly and rocky area in Buhisan now called the Nazareth Housing Project. Being laborers themselves, they unhesitatingly complied with the cooperative's call for "bayanihan" labor and easily constructed the site's roads, gutters, electric and water supply, and of course, the dwellings themselves.

Due to the irregular income (sudden job lay-offs, for instance) of many of the beneficiaries, the PCI has exercised maximum leniency in collecting repayments. The repayments can be made at the PCI's office or can be given to the PCI collector who comes to the site regularly. There have been cases where PCI has accepted repayments on a daily basis, to suit the specific circumstances of the beneficiary. There have also been repayments that were less than the stipulated amount, and the PCI has always tried its best to accommodate such payers.

In any case, there is a 2 percent fine imposed by PCI for every unpaid amortization. Despite the financial uncertainties, the Nazareth community's record has remained a perfect one (as of March 1993); no single default has been recorded. One major factor for this good performance is PCI's close monitoring of the Nazareth community. There is a community worker, Ella Daya. The authors asked Ella at the site what her job entailed, and she quickly replied that it was her job to hold "constant meetings" with the beneficiaries and to follow up on their records.

Mrs. Coñoso also told the authors that PCI could very well do without the 6 percent interest rate on the land and housing loans. She explained that they impose the rate anyway so that the loan would not assume the characteristics of a doleout.

As for the problems encountered by the PCI in administering the loan repayment requirements of the BPP, Mrs. Coñoso cited the tedious preparation of legal documents and the weak financial capability of beneficiaries.

The PCI management through its community worker plans to expand the functions of the BPP cooperative to include income generating activities. This is intended to increase the repayment capability of the beneficiaries. The PCI itself is scouting for another lot to purchase, using the same mechanics, which succeeded in Nazareth.

### **3. Davao City Homesite and Housing Multipurpose Cooperative (DCHHMC)**

The Davao City Homesite and Housing Cooperative (DCHHMC) is one of the pioneer housing cooperatives in the country, established on November 7, 1968. It was formed in Davao City by government employees conscious of the power of cooperative endeavors. In this case, the aim was to provide low-cost lot and houses to the low income employees.

In its by-laws, the DCHHMC lists down the following as its sources of funds :

1. Share capital;
2. Revolving capital from deferment of payment of patronage refunds and/or interest on capital;
3. Capital reserve;
4. Loan capital;
5. Subsidies, grants, and donations; and
6. Other sources of funds as may be authorized by law.

The DCHHMC, being a cooperative composed of regularly paid government employees, has a stricter and more rigid financial structure than the first two housing cooperative discussed above. Its general manager, Mr. Miniato Carmelo, told the authors that he implements the cooperative rules on finance to the letter, to preserve the viability of the organization.

The DCHHMC requires every applicant to subscribe to at least twenty shares of the capital stock of the cooperative. Upon the filing of his application, a prospective member is required to pay a minimal membership fee and to pay in advance the value of one share of the cooperative's capital stock (1968 value: P10). Upon acceptance, the new member is required to complete his payment for the twenty shares in terms to be determined by the membership committee.

To effect a continuous capital build-up, the cooperative requires every member to invest at least 50 percent of his annual dividend to the equity of the DCHHMC.

The DCHHMC likewise has the DCHHMC Guarantee Fund, which is made up of at least 1 percent of gross income of the cooperative. The fund ensures the cooperative nature of the DCHHMC and guarantees the realization of the cooperative's objectives. The most important of these is the payment of common services and facilities in the DCHHMC housing project. The fund will invest in other housing projects in the future.

Another major source of funds for the DCHHMC is loans from government financing institutions. The DCHHMC, through its Board of Directors, borrows money from such government institutions as DBP, PNB, GSIS, and SSS. Its first known housing project in 1969, situated on a twenty-hectare lot in Ma-a, Davao City that has come to be known as GEM Village, received substantial assistance from DBP funds.

The land, once purchased by the DCHHMC, was subdivided into residential lots and sold to the individual members of the cooperative. The average cost of an 80 sq. meters lot back then was P6,000, the monthly amortization was P83, and the interest rate was 5 percent. The cooperative member was given 15 years to pay for the land. Today, GEM Village stands as the proudest achievement of DCHHMC and has grown into a community of 255 house-and-lot units. The people in the community have gradually improved the original lot acquired in 1969, building and maintaining roads, open spaces, drainage systems, and other common facilities.

Another DCHHMC accomplishment is the Davao Cooperative Village (DACOVILLE) in Dumoy, Davao City. In this project, the DCHHMC went into not just lot acquisition, but also the construction of low cost houses for the employees of the Davao City government. All in all, there were 604 houses constructed and sold to DCHHMC members. This time, the sweat equity of the DACOVILLE residents included not only roads, drainage, and electricity but also a DACOVILLE multi-purpose center and a chapel.

The Maligaya Village is the third project of the DCHHMC. Still modest in scale, Maligaya Village is the product of the DCHHMC's purchase of a small lot which was divided into 15 small parcels and sold to 15 individual cooperative members.

The cooperative is at present negotiating for the purchase of a 6-hectare lot in Calinan, Davao City, to be subdivided into low-cost house-and-lot units. The DCHHMC has also segregated a 2,500 sq m area in GEM Village to construct the Southern Mindanao Cooperative Training Center.

The DCHHMC, which now has a membership of about 2,000 government employees, is a good example of how the cooperative mechanism can go hand-in-hand with government financing in giving land and shelter to its employees. The cooperative conscious Davao government employees dealt with the government financing institutions as a cohesive group, and this spelled the difference.

#### **4. Davao Independent Housing Foundation (DIHo)**

The Davao Independent Housing Foundation Inc. (DIHo) was established on February 5, 1987 by the present board of trustees after consultations with Mr. David DeGroot, a representative of the US International Self-Help, Inc. (ISH), DIHo's sister foundation which is based in the United States. It is a nonstock nonprofit nongovernmental and tax-exempt organization whose avowed aim is "providing quality and truly mass low-cost shelter for low income landless Filipinos."

Master Marlowe Rovillos, DIHo's finance officer, told the authors that in going about its activities, DIHo seeks to help in alleviating the tremendous shelter deficiency not only in Davao City but also in the entire Region XI. He added that DIHo is just like any other real estate developer in its methods of operation, except that it does not strive for profit, and that its beneficiaries have to pay prices that are way below those of commercial developers.

As a good indicator of the social composition of the DIHo beneficiaries, we can consider the income limit which DIHo sets for its members: P5,000. We can also take into consideration the fact that the house-and-lot units in the DIHo communities located in Buhangin, Diversion Road and San Rafael in Davao City have an average amortization of only P1,000.

DIHo counts on both foreign and local sources for its financing. To begin with, it gets technical and financial support from its sister foundation in the US and enjoys the financial backing of the US government through the United States Agency for International Development (USAID). The Finnish government has also given financial help, particularly to the recently inaugurated Mamay Low Cost Housing Project.

Locally, DIHo represents its members in availing of mortgage financing from the government's Unified Home Lending Program (UHLP) and the Pag-IBIG Expanded Home Lending Program (EHLP).

DIHo currently offers organizational and technical assistance for "Community Mortgage Program" (CMP) now available as part of the National Home Mortgage Finance Corporation's (NHMFC) Unified Lending Program. The program features a 3-step process by which squatters must initially form a "community association" in order to jointly purchase the land they are currently occupying.

The "cooperativized" squatters would use the 25-year mortgage financing from NHMFC in this undertaking. Additional financing is then obtained to subdivide the land and construct or improve housing units. This is where the help of foreign development agencies usually comes in.

The landowners on the other hand are afforded a chance to receive a fair price for their land which invariably is unusable for other purposes. DIHo's role is to guide community associations and landowners through the process of acquiring a community mortgage and title at no extra cost to the beneficiaries. In this case, the NHMFC pays DIHo for its assistance.

Aside from the sources of funds already mentioned, DIHo also gets funds from private individuals and corporations and from joint ventures with landowners.

The beneficiaries' counterpart again comes in the form of "sweat equity," which goes into the development of the housing cooperatives, and improvements to the "starter" houses which DIHo constructs as part of its land development function. The "starter" units are usually bare one room prototypes which conform to low living standards of the low-income beneficiaries who have just graduated from squatter or slum existence.

The beneficiaries gradually add floor space and beautify the starter units, although this process may take a few years. The beneficiaries either get their additional income from the projects of the cooperative, or individually, as in a successful business or a pay raise.

Dr. David DeGroot today sits in the DIHo Board of Directors as its international development adviser. The board itself is headed by Arthur Garcia, and is composed of business and community leaders who have had in-depth and hands-on experience in the planning and implementation of affordable shelter programs. DIHo also performs activities aimed at creating employment for the beneficiaries, providing assistance in the cost-efficient construction of housing units, and carries out basic research in house construction.

DIHo employs small-time carpenters and construction workers (many of whom are the beneficiaries themselves) in developing the lands acquired by the cooperatives, and purchases materials in bulk in order to minimize costs. It maintains a small but highly efficient staff in its office in the Aldevinco Shopping Center in Davao City.

## **5. SLU-SVP Multipurpose Cooperative**

The SLU-SVP Multipurpose Cooperative was established on December 19, 1970 in Bakakeng, Baguio City. The housing cooperative was a joint project of St. Louis University and the St. Vincent Parish with the support of the Philippine Province of the CICM. The basic purpose of the cooperative was to provide low-cost housing specifically to the employees of St. Louis University and the St. Vincent parishioners.

The support of the CICM fathers came by way of a piece of CICM land which was sold to the cooperative at a nominal price. The CICM fathers also helped in looking for sponsors who would finance the housing project. The lot was subsequently subdivided into 50 units each at 250 sq m per lot.

The prime movers in the formation of the SLU-SVP cooperative were Fr. Paul Bohlen, CICM and Fr. Paul Awenepoel, CICM and civic-minded Baguio residents and private corporations. These personalities and entities of course counted on the bayanihan spirit of the beneficiaries, which at that time numbered around 50 families.

The cross-section of the initial beneficiaries was as follows: employees of government and private institutions, professionals, retail store owners, bus and jeepney drivers, laborers, and farmers. The beneficiaries contributed what they had the most: sweat equity. They developed the land, built the housing

units, utilities, and facilities without receiving a single centavo for remuneration. The work was voluntary, and done even on weekends. Money that would have gone to a private developer instead went into the cooperative's coffers. Road-building and beautification were done on Sundays.

The cooperative benefitted greatly from CICM's European funding connections, namely Misereor, CERA, Limberg Province of Belgium, Witheirs Voluntariat, CICM Belgium, and CICM Rome. The cooperative also obtained monies from the organization's business consultancy services, and loans from the Cooperative Development Loan Fund (CDLF). The beneficiaries decided not to build linkages with the government or the private banking system because, according to the beneficiaries interviewed, the interest rates were too high for their incomes.

The different levels of income presently prevailing in the Bakakeng community are as follows: 30 percent - P2,700 to P3,000; 40 percent- P4,000; 20 percent- P5,500, and 10 percent- P7,500 to P10,000. The monthly amortization ranges from P115 to P1,200. The maximum payment period is 20 years.

To become a member of the cooperative, the applicant undergoes a pre-membership seminar, pays the membership fee of P50, buys P500 worth of shares, and makes a downpayment for his lot worth P5,000. However, before he is awarded a house-and-lot unit, the applicant must render to the cooperative a total of 500 hours of *bayanihan* service. This feature of the SLU-SVP cooperative is unique among those surveyed for the study.

Moreover, the person must be a resident of the parish or an employee of the university. He or she must own no real property in any part of the country and present to the screening committee clearances from the local court, the Department of Health, and the Bureau of Internal Revenue. Lastly, the applicant must not be older than 45 years.

Besides the 20 year payment period, there are 10-year and 15-year payment packages depending on the age of the applicant. The older the applicant the higher the rates of payment and the shorter the time period for payment. Every cooperative member must be fully paid by the time he or she reaches 65 years of age.

The interest rate is a reasonable 3 percent. The total cost of a house-and-lot unit currently stands at P186,000. The price of a house-and-lot unit back in 1970 was P27,000. The best explanation for such a low or affordable financing rate is that it is service-oriented, according to the respondents. Aside from cutting down on the cost of construction, sweat equity and *bayanihan*, labor makes the participants more committed to the cooperative. Those interviewed said they gave their best to the community because they considered the community as their personal possession. This element, they said, was not present in projects wherein the entire operation was financed by dole-outs or outright grants.

To instill discipline within the cooperative, the control mechanism consists of a 10 percent penalty for every month of payment default, with the harshest penalty being the repossession of the unit. Despite the 3 percent interest rate, many people still failed to pay regularly, especially laid-off wage earners. However, there have been no serious problems encountered so far, as in having to evict members from their units.

## **6. *Samahan Para sa Angkop na Pabahay ng San Pablo Apostol* (Magsaysay Village) INC. (SAPSA)**

The SAPSA was founded in September 1988 originating from the Livelihood Committee of the Parish Pastoral Council of the San Pablo Apostol Parish in Tondo, Manila. In 1987, the funding for the parish-based housing project became available. The parish priest then was Fr. Sean Connaughton. Organizing began on June 14, 1988 through the initiative of the ad hoc committee on housing under the livelihood committee of the parish.

The parishioners believed in organizing and empowering the people through the housing project. For them, "all men are free, have equality of rights, and equally and justly partake of the nation's wealth." The organization was tasked to work for the economic, cultural, and political emancipation of its members to strengthen the organization; to continue the further development of the appropriate housing concept; to launch livelihood projects and comprehensive educational and training programs.

The system and process of the housing project was perceived as an alternative to the existing government and conventional housing programs. The project constructed 12 houses for the first batch. Its membership increased to 43 beneficiaries by 1993. As of 1991, it had seven members who were non-beneficiaries serving on the board.

The residents were lot awardees of the National Housing Authority (NHA), selected on the basis of the physical condition or degree of dilapidation of their existing houses, socio-economic standing, and potential commitment and willingness to be organized. The awardee should not be a member of any housing project, aside from being a beneficiary of the Tondo Foreshore Development Project. The other criteria for membership are continuous residence at Magsaysay Village for at least 5 years, no outstanding debts to any public agency, and good standing and participation in pre-membership activities and trainings.

Majority belong to the informal sector of the economy, such as those engaged in vending, pedicab driving, contractual construction, casual work as laborers in factories, and stevedoring. Very few are permanently employed. Members belong to the low-income group, with income ranging from P2,000 to P4,000 per month per household. Majority of the members are from Samar and Leyte.

The housing project deals essentially with house construction since the lot and its tenurial status have been awarded by the National Housing Authority. The users-beneficiaries were formerly squatters and, after the census of government, the landlords sold the lots and the NHA gave titles. But the housing and the members are scattered in different parts of the area and are not located in just one common parcel of land. The land area is a total of 20.70 hectares with some 18,000 families living in it.

The funds came from Misereor in Germany, first in 1987, then in 1988. Each house costs P25,000 to P30,000, excluding labor. It charges an interest of 5 percent, with an average monthly amortization of P200 to P240. The members-beneficiaries provide a counterpart of 25 percent of counterpart, not necessarily in the form of cash but in the form of voluntary labor or reusable secondary materials.

No membership fees are collected. The association resorts to strategies of orientation, hands-on training, weekly assessments, and participative drafting and design of the houses. Although the association is quite stable since its inception, it is faced with the problem of nonpayment or delayed payments of its members. Five consecutive months of nonpayment will spur legal action.

## 7. Foundation for Development Alternatives, Inc.

The Foundation for Development Alternatives (FDA) was organized in 1985 by church workers, development workers, progressive businessmen, and private individuals. After registration, it went on full blast operation in 1987, with offices at 77 Rosa Alvero St., Katipunan, Quezon City.

The organization aimed at facilitating social change through community organizing and community building, focused on the urban poor. But in the process of doing so, they needed to confront the land issue and housing security. This stimulated the plan and operation for house-and-lot acquisition and ownership.

The FDA's role in housing can be seen from the history of one of its projects, Exodus. The FDA community organizer mobilized 476 urban poor families in Sto. Rosario, Pasig, which increased to 1,000 families in the next two years. A local alliance of people's organization called *Alamat* was set up. The land issue became one of the focal points of *Alamat*. The members lived in areas declared as "Danger Zone Areas" by the national government, subject to demolition and eviction of squatters as provided by law. Subsequently, the local government carried out a series of demolitions. Hence, the people thought of relocating to the sites referred to by the local mayor. The costs of these sites turned out to be above the affordability of the squatters and the areas were not conducive to the health of the people. By negotiating with other organizations and private individuals, with the Archbishop of the Antipolo, and with a prominent landlord in Angono, Project Exodus took off. The planned relocation site was in Barangay San Vicente, Municipality of Angono in the Province of Rizal. Some 53,000 sq m is covered by the *Alamat*-FDA Project Exodus.

The FDA's housing program is an alternative to existing financing schemes for housing in some ways but it is not in the sense that it tried to avail of existing government financing packages.

The three housing projects are respectively called Exodus (established between 1987-1990), Pamana (1987-1992), and Pabahay NGO (1990-1992). Exodus consists of 638 structures in Angono where the urban poor from Pasig will be relocated. Pamana has 100 units for the urban poor in the planned site in Novaliches and those relocated from Tatalon. Pabahay NGO in Tandang Sora has 42 units for the development workers. The user-beneficiaries are government and private sector employees, retail businessmen, drivers, laborers, and people doing odd jobs. They are elementary or high school graduates. Based on the stated incomes in loan applications, Pamana and Exodus members earn an average of P2,000 to P2,500 a month.

*Pabahay* NGO consists of professionals who are college graduates. They have an average monthly income of P4,000 to P4,500.

The people in the three sites pay monthly dues of P1.00 called *butaw* which is a percentage of their income. Exodus and Pamana members pay a membership fee of P20 monthly while the NGO Pabahay members pay P100.

FDA uses the approach or strategy of relocation to alternative housing site by looking for funds, contacts, resources to help in acquisition, house construction, and assistance financing for house and/or lot ownership. It plays the role of conceptualizer and organizer.

The housing projects are funded by the *butaw*, by forced savings, and by the revolving fund from local assistance. It obtained foreign funding from Misereor in Germany and the Gregorio Araneta

Foundation in the amount of P8.5 million. The Pamana obtained P1.2 million interim financing from the CASDAF and P.6 million pesos for revolving fund from the Foundation for the Development of the Urban Poor (FDUP). Generally, FDA raises a small portion of its income from proceeds of the organization's consultancy and other services, from contributions, soft loans, and negotiated loans and donations.

The housing projects availed of the resources of government through the SSS and the GSIS for the Unified Home Lending Program amounting to P150,000 to P200,000 for the Pabahay NGO. The Pamana used the Community Mortgage Program of the NHMFC at P45,000, while the Exodus used the *Abot Kaya Pabahay* government package at P60,000 -- the allowable amounts of the government housing programs.

The Exodus accepts only urban poor, laborers, and persons who are not members of SSS and GSIS. It provides the benefits of site development and lot and/or house financing. Lot distribution and allocation is at the cost of P300 per sq m. In Pamana, this costs P500 per sq m raw land. For both Exodus and Pamana, financing for house-and-lot is at P51,000 for 45 sq m of developed land. Interest is at 6 - 9 percent per annum payable in 25 years through the bank or voluntarily through the housing project association.

In the case of the *Pabahay* NGO, raw land is at P300 per sq m and financing is at P120,000, with P60,000 as cost of development. Financing provided through FDA is P50,000 for 50 sq m. Interest is 24 percent per annum. Pabahay NGO expects to raise P1.7 million to be totally paid in two years.

The FDA's housing projects are perceived to be a viable program that assures guarantors of repayments. People are organized into cells of about 10 members each or even less. The community organizers in the field teach the people to comply with forced savings which will pay for the amortization of the entire cell even if one member does not pay. Training is continuously conducted to build technical, institutional, management, and financial capabilities. The housing program aims at self-reliance and self-management. Site development uses the concept of *bayanihan*.

Although the beneficiaries seem satisfied, the projects confront problems of delayed or no payments. In dealing with the government, too many paper requirements, particularly on income, which the urban poor rarely have, delay the transactions.

#### 8. Maryville Development Center Multipurpose Coop., Inc.

The Maryville Development Center Multipurpose Coop, Inc. has a housing project, savings and loan activities, and a center for food technology. This was organized in 1986 as a phase out scheme of the Maryville Family Helper Project to continue assisting sponsored families. This was initiated by a social worker who was the manager of the Maryville Family Helper Project, helping the urban employees and teachers of the San Juan Nepomuceno School at P. Santos Malibay, Pasay, Metro Manila.

The multipurpose cooperative aims to develop self-reliance, empower the people to manage their own association, meet their economic needs, and help others. Its beneficiaries include contract laborers, retail businessmen, drivers, laborers, tricycle drivers, and professionals.

The members have gone through elementary, high school, or college education. Income was placed at P2,500 to P4,000 a month. The members are considered indigent families who believe that they can improve their lives if they unite and strive to save. From their collective savings, they can borrow



and engage in business. The project is a form of self-help and mutual help for the poor who find it difficult to secure financing despite their hard work. This is a way out of the high interest loans from capitalists and professional money lenders using the "5/6" lending scheme.

The cooperative members pay monthly dues of P1.00 per day. They save for the downpayments for their lots. They put their money in a private bank and when loans are given, they issue checks. They believe that they do not have to run to some capitalist with high-interest loans.

The beneficiaries organized the Lady of Assumption Homeowners Association in 1989 among themselves. They looked for a possible lot through government agencies like the NHA. Arrangements for titling and mortgaging were done with the National Home Mortgage and Finance Corp. (NHMFC). They obtained assistance in applying for and receiving the Community Mortgage Program Loan package. They sought accreditation with the Presidential Commission for the Urban Poor. The external funding agency, CCF, funded the organizing of the cooperative and granted finances for downpayment. They are now linked to the Maryville Urban Foundation which lends money without interest and helps them in their negotiations.

The first stage of their work pertained to land acquisition. It took two years to avail of the loan from the NHMFC. Site development followed while negotiations for the financing of the house construction were ongoing.

The site is located at Bahayan Pag-asa Phase 4, Imus, Buhay na Tubig, Cavite. Only the association members can avail of the lots. Initially, 141 families will obtain lot units at the amount of P21,00 per unit. One must be a member of good standing, able to pay based on income, participative in the regular monthly meetings, and be good savers.

Interest is 12 percent per annum and payment depends on the promise and commitment of the member, like weekly, monthly, or twice a month. There is a collector to whom payment is made. They can avail of a one-year consumption loan, four-month spot cash, and a one-month emergency loan. It usually takes a week to release funds.

The beneficiaries seemed to be satisfied but the organization encountered problems with nonattendance in meetings and lack of understanding of the objectives of their activities. Some members could not comply with responsibilities. There was need for continuous monitoring of the finance and loans repayment. Also, the organizers found it difficult to deal with the government because requirements could not be met by the urban poor.

## **B. Patterns of House Financing of the Sample Housing Organizations**

Five issues were used for the comparative analysis of the survey data covering 8 housing projects by nongovernment organizations, community-based organizations, and voluntary associations:

### **1. Affordability and individual sources of financing.**

Using the income level and occupation of the users-beneficiaries, can the costs for housing and lot ownership be paid for? What are the sources of financing of individual user-beneficiary?

2. Prospects of ownership.

How long will it take for the user-beneficiary to hold the title of ownership? What hindrances would cause failure to own the lot and/or house?

3. Features and costs of the lot and housing units.

What features of the lot and housing unit make these affordable to the user-beneficiary?

4. Patterns of the financing scheme.

What kind of financing enables the housing projects to acquire the land, develop it, build or improve housing units, and finance individual ownership?

5. System maintenance.

How can the system of financing be sustained? What are the characteristics of the organization and management system that sustain the financing scheme?

**C. Affordability**

Individual and combined family monthly income for the urban poor nonprofessional income groups range from P400 to P999. Those with better paying jobs earn from P1,000 to P2,999 and P3,000 to P4,999. The professional group earn from P5,000 to P10,000 and up.

The nonprofessional or informal sector income earners work as laborers, stevedores, tricycle drivers, casual laborers in factories, and construction work employees. Some are engaged in business. The professionals work as accountants, teachers, social workers or development workers, and employees of government and private entities.

The stability of occupation and level of income of the users-beneficiaries were taken for consideration in the eligibility for financing. However, the housing organizations set the income requirement at a lower level. Since the housing project was organized to meet the needs of the poor, the housing organization recognized and accepted the user's occupation as a criteria for granting financial help. The prospective users-beneficiaries did not have to be SSS or GSIS members and did not have to own a house and lot elsewhere.

The respondents said their salaries were enough to cover the costs of housing, meaning the monthly amortization for the lot and house. Some said that their monthly and even combined family income were not enough.

In case of need for finances to pay amortization, majority of the users-beneficiaries found it easier to borrow from friends, relatives, or employers without interest. Some borrowed from the housing organizations' loan packages, a few from pawnshops or credit unions and *paluwagan*. Seldom was there recourse to the professional money lender with high interest rate. (See Table 6: Respondents' Occupation and Individual Monthly Income, and Table 7: Sources of Individual Financing to Pay for Amortization).

**Table 6 Respondents' Occupation and Individual Monthly Income**

	General Profile of Occupation	General Profile of Monthly Income
Pagtambayayong	Low income earners Unskilled laborers Former squatters	P2 000 P3 000 less than P1 000
BPP	Vendors Workers Laundryworkers Former squatters	P1 000 P2 500 less than P1 000
DCHHMC	Government employees	P1 000 P4 000
DIHo	Vendors Contract workers	P1 000 P2 000 less than P1 000
SLU SVP	Employees Professionals Teachers Retail store owners Bus and jeepney drivers Laborers Farmers	30% 2 700 to 3 000 40% 4 000 20% 5 500 10% 7 500 to 10 000
SAPSA	Vendors Pedicab drivers Contractual Laborers Stevedores	(Former squatters)  Income varies depending on availability of work less than P1 000 Some earn P2 000 to P4 000 per household
FDA	Urban poor-- drivers laborers low income employees	P2 000 P2 500 less than P1 000
	Self-employed laundryworkers unemployed	P1 200 P4 000 P6 000
	NGO development workers	P4 000 P6 000

**Table 7 Sources of Individual Financing to Pay for Amortization**

	<b>Main Sources of Financing for Individual Amortization</b>	<b>Institutions Tapped for Financing Lot Acquisition and Housing Construction</b>	<b>Other Sources of Borrowed Help for Individual Financing</b>
<b>Pagtambayayong</b>	Salary Business Credit Union Cooperative	Pagtambayayong NHMFC People s Credit Coop	Friends
<b>People s Coop</b>	Salary Cooperative	The People s Cooperative	Credit Union Cooperative Parents friends relatives
<b>DIHO</b>	Salary Private Bank SSS Loan	SSS NHMFC Cooperative Rural bank	Credit Umon Relatives Employer
<b>Davao Homesite</b>	Salary Farming	SSS GSIS DBP	Credit Umon Cooperative Farm income Parents
<b>SLU SVP</b>	Salary Credit Union Savings Parents	SSS Pagibig Baguio Credit Coop SLU Credit Union	Credit Union Additional Income Savings Borrow from parents
<b>FDA</b>	Salary Savings Borrow from friends relatives	FDUP Gregorio Araneta Foundation SSS GSIS Pag ibig CMP/NHMFC	Cooperative Parents
<b>Maryville</b>	Child Subsidy from MFHP  Salary  Borrow from employer no interest  Borrow from Maryville Helper Project	Maryville Multi Purpose Development Center Maryville Foundation CCF	Neighbor Maryville Credit Unit Paluwagan in the office Pawnshop

	Main Sources of Financing for Individual Amortization	Institutions Tapped for Financing Lot Acquisition and Housing Construction	Other Sources of Borrowed Help for Individual Financing
SAPSA	Selling Salary Business	SAPSA NHA Misereor Germany	Neighbors Friends Relatives Samahan Areas

#### **D. Prospects for Ownership**

The respondents said that they owned the house in the sense that occupancy and amortization indicated that the house and/or lot would be placed in their name as owners after some time. Generally, it would take a maximum of 25 years for full payment according to long-term mortgage loan plan. But some paid the required amount in less than 25 years based on income and ability to pay.

In the specific case of the SLU-SVP housing cooperative, the number of years of pay depended on the age of the user-beneficiary at the time of the award of the house and lot. The older the user-beneficiary, the shorter the years to pay and the higher the amortization amount. The user-beneficiary should be fully paid by the age of 65 years.

The users-beneficiaries were paying only for the past 1 - 3 years in the case of recently organized housing cooperatives and projects. The SLU-SVP in Baguio existed since 1972 and a number were paying nearly in full.

The recency of occupancy and amortization payments suggests the need for long-term income sustainability to meet current and future economic obligations. (See Table 8: Respondents' No. of Years of House/Lot Occupancy).

#### **E. Features and Costs of the Lot and Housing Unit**

The costs of building materials and site development incurred and charged to the home buyer by the developer of subdivisions are usually considered too high for the low income groups and urban poor. It is essential for the features of the lot and housing unit to be within costs that low-income groups and the urban poor can afford.

The private developers for the upper income bracket put housing construction costs for low income groups at P200,000 to P500,000. Monthly amortization range from P1,200 to P4,000 depending on design based on handouts of subdivision developers.

Middle and upper-middle income groups in subdivisions buy and sell houses and lots at the average cost of P1 - P2.5 million each and even more for 2 - 3 bedrooms on some 100 to 440 sq m land area. Monthly amortization is normally at a minimum of P5,000 and above.

Table 9 presents the sizes of the land/lot and house not only of the respondents but of other users-beneficiaries in the housing area or community.

The lot size in Metro Manila ranges from 48 - 70 sq m with a maximum of 18 - 23 sq m floor area at a land use of 48 sq m or less. Bigger houses with floor areas of 50 - 62 sq m are built on bigger lot sizes of 70 - 96 sq m.

In the areas of Davao, Cebu, and Baguio, lot sizes range from 100 - 460 sq m. Compared to Metro Manila, these sizes are much bigger.

Even with lot sizes of 100 - 250 sq m, the sizes of the houses in Davao, Cebu, and Baguio range from 26 - 209 sq m floor area. These sizes leave some land area around the houses. (See costs of the lot and/or house as shown in Table 10).

**Table 8 Respondents' No of Years of Occupancy of Lot/House**

		0 1 year	2 5 years	6-10 years	11 15 years	16 20 years	21 25 years
Pagtambayayong	Length of Stay		1	2	1		
	No of years to own	1	2	1 (lot)		1 (house)	
People s Coop	Length of Stay	5		1			4
	No of years to own						
DIHO	Length of Stay	2	2				7
	No of years to own						7
Davao Homesite	Length of Stay		1	2	1		
	No of years to own	1	2	1 (lot)		1 (house)	
SLU-SVP	Length of Stay					2	
	No of years to own		1		1	6	
FDA	Length of Stay	7	6				
	No of years to own		2				13
Maryville	Length of Stay		7				
	No of years to own						7
SAPSA	Length of Stay	1		2	1		
	No of years to own						1

**Table 9 Features of the Lot and Housing Units**

	Size of Land/Lot	Size of House	Size of other lots in the area	Size of other houses in the area	No of lot units in the area
Pagtambayayong	414 sq m 207 sq m 100 sq m	160 sq m 120 sq m 72 sq m 70 sq m 45 sq m 16 x 22	200 300 sq m 100-160 sq m	150 110 90 sq m 160 110 90 sq m 20 100 sq m 50 sq m 21 72 sq m	178 units 56 units 48 units 43 units
People s Coop	75 sq m	32 sq m	75 sq m	32 sq m	23 units
DIHO	211 sq m 157 sq m 150 sq m 149 sq m	39 6 sq m 30 sq m 29 4 sq m 29 sq m 26 sq m	150-300 sq m 133 310 sq m	44 50 sq m 29 4 sq m 29 sq m 26 sq m	180 units 98 units 41 units 50 units
Davao Homesite	460 sq m 350 sq m 286 sq m 268 sq m 242 sq m 100 sq m	80 sq m 60 sq m 49 sq m 10 x 16	296 500 sq m 240 500 sq m 241 sq m	209 sq m 42 150 sq m 40-80 sq m 42 sq m	420 units 300 units 255 units
SLU SVP	250 sq m	250 sq m	250 sq m	250 sq m	300 units



	Size of Land/Lot	Size of House	Size of other lots in the area	Size of other houses in the area	No of lot units in the area
FDA	32 sq m 32 56 sq m 335 sq m 36 8 sq m 41 39 sq m 52 sq m 54 sq m 72 sq m 88 sq m	30 sq m 32 sq m 25 sq m 36 8 sq m	54 73 80 85 91 sq m 18 22 28 36 45 54 55 60 62 80 92 sq m 32 35 38 42 sq m	18 sq m 30 32 sq m 28 29 34 35 37 35 sq m	50 units 490 units 638 units 20 units occupied 100 units available
Maryville	60 sq m 57 sq m 48 sq m	none	58 sq m 48 sq m	none	68 units
SAPSA	70 2 sq m 62 sq m 59 sq m 46 sq m	62 sq m 46 sq m 32 sq m 20 sq m	96 sq m 90 sq m 72 sq m	96 sq m 90 sq m 72 sq m 46 sq m	68 units

In Metro Manila, the costs of the land, considering varying sizes, range from P16,000 to P30,000. The house costs between a low of P7,000 to a high of P65,000.

In Cebu, Davao, and Baguio, the lot costs between a low of P1,000 to P35,000 and a high of P35,000 to P70,000 or above up to P145,000. The house costs at the low ranges from P1,000 to P19,000; P20,000 to P45,000 and above all the way up to P350,000.

Past and present costs of land differ a lot. For instance, the cost of a house and lot in 1970 for SLU-SVP was P27,000. Now, this is about P186,000.

Monthly amortization constitutes an important factor since capacity to pay regularly puts the member on good standing. Failure to pay for at least three consecutive months can lead to legal action, disqualification of the user-beneficiary, and repossession of the house-and-lot unit by the community organization. (Table 10 shows the monthly-yearly amortization paid and the number of years already paid).

The amount paid per month for lot and/or house ranges from P33 to P600; above P600 to P1,000 up to P1,500.

As mentioned in previous sections, the SSS and GSIS loan packages assumed the salary capability to amortize at about P500 a month for the average salaried employee. But subdivision costs and amortization are above this amount. Amortization for houses and lots in subdivisions prior to the policy on low-cost housing amounted to at least P1,200 a month. In Metro Manila, 1993 figures show low-cost housing at P200,000 to P350,000 with monthly amortization at P500 and above. But these amounts are above the monthly income of the urban poor and low-salaried groups.

In effect, the sample housing organizations succeeded in providing affordable lot and house units and amortization. Interest rate was from 2 - 5 percent or from 6 - 12 percent.

#### **F. Patterns of Financing**

The patterns of resource generation, initial capital build-up for land site acquisition, and development and house construction are described in charts below.

**CHART 1. Pattern A - Model A**

This pattern involved full use of resources from users-beneficiaries and local and foreign NGOs.

**I. Capital build-up from members.**

collected from would-be housing organization members (any one or combination of the following):	<b>Purposes: (any one or combination)</b> <ol style="list-style-type: none"> <li>1. Create a revolving fund;</li> <li>2. Fund organizing work to form housing organization/association (partially or in full);</li> <li>3. Fund downpayment or full payment of land site;</li> <li>4. Fund downpayment or full payment of house units;</li> <li>5. Develop site.</li> </ol>
1. Membership dues	
2. Fixed deposit of shares	
3. Forced savings	
4. Sweat equity	

**II. Capital build up from local and foreign sources**

1. Local NGOs Foundations, Voluntary Organizations 2. Foreign Funding	<b>Purposes: (any one or combination)</b> <ol style="list-style-type: none"> <li>1. Create a revolving fund;</li> <li>2. Fund organizing work to form housing organization association (partially or in full);</li> <li>3. Fund downpayment or full payment of land site;</li> <li>4. Fund downpayment or full payment of house units;</li> <li>5. Develop site.</li> </ol>
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**III. Amortization Scheme**

<ol style="list-style-type: none"> <li>1. Low interest rate;</li> <li>2. Other borrowings;</li> <li>3. Voluntary payment according to schedule proposed by user-beneficiary;</li> <li>4. No collateral.</li> </ol>
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**CHART 2. Pattern B - Model B**

This pattern uses mixed financing from resources of members, local and foreign NGO assistance, and government house financing programs.

**I. Capital build up from members**

collected from would-be housing organization members (any one or combination of the following):	<b>Purposes: (any one or combination)</b> <ol style="list-style-type: none"> <li>1. Create a revolving fund;</li> <li>2. Fund organizing work to form housing organization or association (partially or in full);</li> <li>3. Fund downpayment or full payment of land site;</li> <li>4. Fund downpayment or full payment of house units;</li> <li>5. Develop site.</li> </ol>
1. Membership dues	
2. Fixed deposit of shares	
3. Forced savings	
4. Sweat equity	

**II. Capital build up from local and foreign sources**

1. Local NGOs Foundations, Voluntary Organizations 2. Foreign Funding	<b>Purposes: (any one or combination)</b> <ol style="list-style-type: none"> <li>1. Create a revolving fund;</li> <li>2. Fund organizing work to form housing organization or association (partially or in full);</li> <li>3. Fund downpayment or full payment of land site;</li> <li>4. Fund downpayment or full payment of house units;</li> <li>5. Develop site.</li> </ol>
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### III. Transactions with government housing agencies for house financing programs

<p style="text-align: center;"><b>Housing Program</b></p> <ol style="list-style-type: none"> <li>1. CMP - Community Mortgage Program</li> <li>2. UHLP- Unified Home Lending Program</li> <li>3. Abot Kaya</li> <li>4. Cooperative Housing Program</li> </ol>	<ol style="list-style-type: none"> <li>1. Individual homeowner- financing;</li> <li>2. Community financing for land and site, house construction;</li> <li>3. Developer financing for land-site, house.</li> </ol>
<p style="text-align: center;"><b>Housing Agency</b></p> <ol style="list-style-type: none"> <li>1. NHMFC</li> <li>2. HIGC</li> <li>3. HDMF - Pag-IBIG</li> </ol>	

The factors to be considered in developing capacity for full financing scheme without government housing programs are:

1. Availability of land;
2. Low cost of land;
3. Sweat equity, bayanihan in site development and improvement;
4. Low cost of building materials;
5. Immediately serviceable housing units;
6. Income and affordability of low cost land and house;
7. NGO assistance.

The factors to be considered in mixed housing association and government resources are:

1. All of the above items;
2. Fulfillment of paper requirements of government agencies.

Hindrances and delays were experienced in the second factor.

### G. Control and Maintenance

The housing organization maintained supervision and control over payment and collection of amortization and loans. Funds were generated by any one or a combination of the following:

1. Membership dues;
2. Forced savings;

3. Payment of amortization and loans at low interest, the amount and schedule of which depend on the voluntary offer and commitment of user-beneficiary to pay a certain amount at a certain time;
4. Sweat equity, nonmonetary contribution by *bayanihan* of the user-beneficiary contributing to site development and improvements.

To monitor, control, and sustain the financial scheme, and to continue building self-reliance and mutual help, the following strategies were used:

1. Pre-membership orientation;
2. Monthly meetings;
3. Education seminars;
4. Cell or group formation; people leadership development and participation; group commitment to pay for the account of a member unable to pay;
5. General assembly.

In case of nonpayment, any one or a combination of these courses of action were undertaken:

1. Visits, phone calls, check up;
2. Letters of demand;
3. Fine, interest, surcharge (variable rates among housing organizations of 1 to 3 percent, 10 to 12 percent);
4. Cell or group pays for one member unable to pay from his/her forced savings;
5. Committee investigation;
6. Warning;
7. Notice of foreclosure;
8. Repossession of the house and lot.

Table 11. Payment Schemes, Monitoring Controls and Problems

	System of Payment	Penalties	Monitoring	Problems
Pagtambayayong	15th and 30th Personal remittance Cash Voluntary Payment w/in 2 years	Interest and Surcharge  Foreclosure after 3 months of non payment  No longer owner after 32 months of non payment	Organizer assigned to community  Collecting bank	None
People s Coop	Monthly payments to office	12% surcharge (credit union)  2% interest with 2% fines (people s Coop)	Monthly ownership meetings	None
DIHO		Surcharge of 7centavos per day  Interest  Notice of foreclosure	Demand letters or automatic inclusion by the bank	Late payments
Davao Homesite	Salary deduction  Direct to SSS GSIS bank or owner	Interest  3 % surcharge	Letter  Visit	Late payments
SLU SVP	Forced savings  Payroll deduction  Pay to treasurer	10% surcharge on amortization  Repossession of housing unit	Warning slip  Visit by legal committees  General assembly meeting	Non payment due to sudden unemployment
FDA	Monthly payments	1 % Interest	Check up interviews  Occular inspection  Phone calls	Late payments

	System of Payment	Penalties	Monitoring	Problems
Maryville	Bank  Maryville multi purpose Devt Center	6 % Interest  Warning notice  Repossession after 3 mos	Home visits  Personal payment monitoring by the guarantor of the Foundation Devt for Urban Project	Late payments
SAPSA	Payment to SAPSA (House) NHA (Lot)	3mos allowance to pay	SAPSA weekly meetings emergency meetings mutual assistance general meetings visit by SAPSA  NHA Notice	



## H. Summary

The description and analysis of the housing organizations in the survey can be summarized as follows:

1. Self-help and mutual help activities cover any one or a combination or all of the following aspects of housing:
  - a. Lot or land acquisition for the community of members;
  - b. Lot or land development;
  - c. House construction for the community of members;
  - d. Loans for financing individual ownership.
2. Financing was sourced from any one or a combination of the following:
  - a. Applicants, prospective and qualified members, by means of forced savings, shares or fixed deposits, membership dues;
  - b. Local private voluntary organizations, nongovernment organizations;
  - c. Foreign private voluntary organizations, nongovernment organizations;
  - d. Local government grant or donation of land.
3. User-beneficiary pays amortization and loans from :
  - a. Income from work as laborers, stevedores, contractual or casual workers, vendors, or tricycle drivers (some are low income employees while others are middle income employees in government and private sector organizations);
  - b. Borrowings from the housing organization's credit union or loan packages; from friends, neighbors, and relatives; from other credit unions and paluwagan; a few borrow from pawnshops and a few, which is rare, go to professional money lenders at high interest ("5/6" terms).
4. Income can adequately cover amortization for most users because the cost of interest and the house and lot are low and hence affordable.
5. Nonmonetary financing by *bayanihan* or other forms of mutual help and cooperation called sweat equity; contributions of second-hand materials harness Filipino indigenous culture traits.
6. Strict monitoring of payment and repayment of loans and continued training and education for empowerment help maintain financial stability.
7. Sudden unemployment and other economic costs prevent a few from paying regularly. Hence, some groups decide to change to multi-purpose cooperatives or set up some livelihood and income generation projects. These can help pay the loans and build up savings.

8. The organization usually starts on an informal basis. Its origin is traced to:
  - a. Users-beneficiaries initiative to bond together;
  - b. Initiative and work of a community organizer leading to the formation of community-based people's organization;
  - c. Nongovernment organization and community-based people's organization join efforts;
  - d. Prospective and qualified members set up a home owners group as a private voluntary community association.
9. Housing organizations which are not composed of so-called ethnic, cultural, or native folks can also be referred to as indigenous in the sense of their identification with and use of known Filipino culture traits in community life.

## **VI. EXPLORING THE EXTENT OF NONCONVENTIONAL AND ALTERNATIVE COMMUNITY-BASED HOUSING STRATEGIES**

Some lessons can be learned from the limited random interviews of 20 market vendors in Baguio and two savings and loan associations in Metro Manila; from secondary data on nonconventional approaches (Keyes and Burcroff: 1976); and from alternative housing strategies by cooperative credit unions and other housing cooperatives.

### **A. Tapping the Urban Poor Nonconventional Strategies**

The study on urban housing and unconventional approaches in squatter areas (Keyes and Burcroff 1976) showed that building houses among the poor takes a process over time. Materials are salvaged incrementally, creatively crafted, and reused.

Improvements come from help of relatives and friends who are thanked by way of refreshments. With some extra income, the poor may opt to repair their houses, but more often, they prefer to invest in business or spend for food. They are insecure and threatened by eviction and demolition. Hence, they are not too predisposed to repair their houses.

Interpersonal relations among the poor can be tapped to build monetary or nonmonetary contributions that can be used for housing. Pooled savings among the urban poor, who have organized themselves, provide the working capital.

The sample of 20 market vendors in Baguio interviewed for this study gave the following responses when asked how they financed their housing. Ten resorted to professional money lenders despite the higher interest in the "5/6" system, to borrow for their housing needs. But mostly, they used borrowed money in order to finance their vending.

The rest of the 10 Baguio market vendors said they were members of the Baguio market vendors association, the Baguio fish vendors association, or the association for women vendors. They put daily contributions to build funds, and borrowed from there. But mostly, their borrowed money were used for business ventures.

The experiment of the Philippine Commercial and Industrial Bank (PCIB) on Moneyshops in 1973 (Keyes and Burcroff 1976: 53-54) provided an alternative to professional money lenders. On-site banking granted credit and used collectors who approached the borrowers from their market position on a daily basis. Interest rate was 3 percent monthly, paid in small amounts daily, and without collateral. This experience for business can be tried for housing as shown in the examples of the surveyed housing organizations.

### **B. Urban Squatters Community Organizing for Housing**

The Hill Crest Community in Quezon City is a case sample (Keyes and Burcroff 1976: 44-46). It is situated on property left idle for years by the wealthy landlord. The priest as community organizer bonded 49 squatter families together. They negotiated with the owner for a lease of two years. It was then extended to seven years. The families organized into a cooperative to collect rent from the individual family units and pay the owner. They ran a cooperative store to meet the lease payments. The Quezon

City Jaycees later adopted the community. It was observed that the sites and services program would work in this case.

### **C. Institutional Initiative and Employee Partnership**

The Xavier University in Cagayan de Oro purchased 7,000 sq m of land and subdivided this for its employees with salaries from P300 to P400 per month (Keyes and Burcroff 1976: 38-40). It provided technical assistance and negotiated with government agencies. It bought building materials at bulk discounts, purchased food items and bicycles for transportation so employees could go home for meals. Savings reached 15 percent a month. Mutual help improved the site. Lots were subdivided and loans of P3,000 to P3,600 were given with payments taken from salaries.

The Kasanyangan Credit Cooperative (Jolo, Sulu) was set up by the faculty of the Notre Dame de Jolo (Keyes and Burcroff 1976: 46-49). The Bishop bought and offered the land to the cooperative at P5.00 per sq m with no interest and at 20 years amortization. With the land as collateral, the cooperative obtained a loan from the Development Bank of the Philippines. The cooperative became the borrower and remitted individual payments.

### **D. Savings and Loan Association**

Savings and loan associations, like those visited in Metro Manila, are initiatives and mechanisms that are now used as originator institutions for individuals to obtain a housing loan. Through these, government housing programs can be availed of.

### **E. Cooperative Credit Unions in Housing**

Based on the study of the Cooperative Foundation of the Philippines Inc.(1989), two credit cooperatives, one housing cooperative, and one multipurpose cooperative used their funds to buy land and build houses. The units were then distributed to the individual members to whom mortgage financing was provided by the cooperative.

Interest rate for two groups was placed at 3 percent per annum for those earning P2,000 to P3,000 a month. Credit unions ask the members to participate in maintenance, operations, construction, and other community needs.

### **F. Housing Cooperatives**

This type of housing organization specifically deals with any one or more of the housing aspects such as land acquisition, construction, loan financing for individual users-beneficiaries, site development, and design and materials. The eight housing cooperatives in the Alterplan study (1991) and workshops generally accessed and generated funds from foreign funding institutions. With pooled shares, fixed deposits, forced savings, as well as donations, grants and loans, they acquired the site and built the housing units. Interest rates varied from 3, 5, 16, to 21 percent.

## **G. Private Sector Low Cost Housing**

Private development foundations were instrumental in providing funds allowing lower and middle income groups to acquire their houses and lots at low cost (Keyes and Burcroff: 40-44). The Davao Development Foundation introduced six models of house construction at monthly amortization of P75 to P140 for wage earners with monthly salaries above P500. SSS loans were obtained with the employer providing a loan of P1,500, which, when repaid, goes into the revolving fund for reuse. The community started to manage a public store and a public market.

The Philippine Business for Social Progress (PBSP) tried to set up the Sambahayan Condominium in Mandaluyong Metro Manila (Keyes and Burcroff 1976: 49-62). It invested P13 million, pledged by the SSS. But the Philippine Business for Social Progress (PBSP) expected only to get back some P8 to P9 million. This is low cost housing with the innovation of monthly amortization at very low amounts at the early years, increasing only as the incomes of users-beneficiaries increased.

## **H. Freedom to Build Approach**

Freedom to Build is a nonstock and nonprofit corporation working for the "upliftment of the ill-housed urban families in search of a modest house and lot." It is engaged in the development of "low income housing projects wherever a suitable site can be found and through whatever advantages in law may be applicable to socialized housing" (Amended Articles of Incorporation of Freedom to Build, September 7, 1984).

Its concerns are affordability, using the median family income of P3,500 a month. The housing design is a critical factor. The median income should be able to pay for costs of land, construction, and financing. Setting up a community or homeowners association was envisioned help families "take control of their own project."

Freedom to Build assumes the role of a "project developer" with the aim of relating to the housing needs of the poor. It uses the approach of modified housing by the people in the city setting. It takes into account the legal regulatory provisions for low cost housing standards as well as the private sector developer's concerns.

One undertaking of Freedom to Build is the De la Costa Project. This is situated in the 5.2-hectare land grant of the Ateneo de Manila University. The lot sizes are generally 62.5 sq m with house construction of 20, 40, or 60 sq m.

The undertaking was partially financed at commercial interest rates. "...the high cost of borrowed money tends to make self-help housing an unaffordable luxury." The funds borrowed by the developer for land development "could not be recouped unless a legally acceptable housing unit was presented to the government mortgage financing agency." (Keyes, The de la Costa Project, A.T. 7:1, pp.3-5; Freedom to Build Sourcebook on Low Income Housing Program, Strategies, Technology, Design).

## **I. Patterns for House Financing**

From the above cases, the features of nonconventional and/or alternative strategies for house financing are as follows:

1. No downpayment from user-beneficiary;
2. Capital in the form of sweat equity or work inputs;
3. No collateral, unless the land site is offered as collateral for loans for housing construction;
4. Financing schemes from the SSS, GSIS and other government agencies;
5. Donations and grants of funds for revolving capital or land site, which are very helpful;
6. Community organizing, mutual help, and self-help to obtain goals;
7. Support system of income and livelihood, which are needed to defray amortizations.

Dissemination of information on these financing schemes can potentially enable other communities to obtain their own house and lot.

## **VII. POLICY IMPLICATIONS**

This section presents the policy implications of the findings on the alternative self-help financing schemes of voluntary, community-based, indigenous, and non-government housing organizations.

Current policies recognize the potential of community organizations, the private sector, and local government units in addressing the housing problem. The Urban Development and Housing Act of 1992 has raised hopes of upliftment for the urban poor, particularly in matters of land reform and housing.

The target is to provide housing for the lowest 30 percent income group. Population has increased and so has migration to the urban centers. This has increased the number of the homeless.

The housing gap has been viewed as the difference between the need for housing and the availability of housing. Housing demand is differentiated from housing need. Housing demand is sometimes viewed in terms of income and ability to borrow and afford housing. On the other hand, housing need is viewed as the person's condition of not having shelter whether or not the person has the income and the ability to borrow.

The NEDA takes "housing backlog" to refer to households which are doubled-up in substandard units, including those in the sites and services program which require "slum upgrading." "Future needs" refers to new houses needed as a result of new households formed by rural-to-urban in-migration, and old dilapidated houses which have to be replaced.

The identified number of houses needed exceeds the number of houses produced by government considering the budget allocation for housing and factors that hinder performance. The private sector accounts for a higher production record but this is still not enough for the number needing to own the land and the house. Community organizations still exhibit low production and low availment of housing financing schemes from the government.

Problems with government financing schemes for housing involve to some extent requirements and benefits that address the upper income groups. The middle and lower income groups are eased out by terms of this financing scheme.

Over the years, nongovernment and community-based organizations, and private voluntary associations have emerged in various rural and urban areas to work for the development of the people. With their successes in other kinds of community-based endeavors, the challenge and the task is to channel their experiences to the arena of housing for and by the people.

### **A. Organizations in Housing**

Organizations involved in self-help housing have been characterized as indigenous, community-based, nongovernment, and voluntary associations.

Self-help means that these groups have accessed and generated resources on their own efforts by organizing and mobilizing the people to work for their housing needs. Self-help has occurred both on the individual and group or community levels.

The organizations are called voluntary associations with the criteria of willingly committing themselves to form an association, and to work to attain common goals. Cooperatives, of which the credit union is an example, represent the idea of self-help, mutual help, and voluntary associations.

Community-based means that the people have a bonding together not only by virtue of living in the same geographical area but also by a sense of belonging, of being a part of the daily life in the areas where they live.

The organizations are indigenous in the sense not only that the people belong to a single ethnic culture group but also that the people tap and harness elements of the Filipino way of life, which can be traced to the time before Western colonization.

Nongovernment organizations are seen as those which serve the people in their need to uplift their condition. These operate on the basis of empowerment, community organizing, and community building. Furthermore, they work towards social goals outside of the structural framework of government.

## **B. Models of House Financing Schemes**

There are two general models of financing schemes for housing.

Model A completely taps and mobilizes resources from the end-users-beneficiaries, and from the private sector (both local and foreign), and does not directly avail of government housing programs.

Model B mixes the resources tapped from the end-users-beneficiaries, private sector assistance (both local and foreign), and government housing programs. The organizations link with the NHMFC, the HIGC, the DBP, the Unified Home Lending Program, the Community Mortgage Program, the Cooperative Housing Program, and the *Abot Kaya* Financing Program.

## **C. Profile of User-Beneficiaries**

Most of the members of the housing organization come from the low wage earners such as laborers, stevedores, vendors, tricycle drivers, farmers, low salaried employees of the government and private organization, and small businessmen.

The factors of lot and house size, cost of the land, and cost of house construction play an important part in determining the overall housing costs. With low income, they can hardly avail of housing if this is coursed through the traditional mechanisms.

## **D. Terms of the Financing Schemes**

The users-beneficiaries can avail of the lot and/or house because of the small or the absence of downpayment costs. Interest rates are low at 3 to 5 percent. Amortization payments are reasonably determined and scheduled, and no collateral is needed.

Revolving funds are available by means of fixed deposits, shares, forced savings, and donations and grants. Loans are available at low interest rates, with no collateral and with voluntary payment.



The system is maintained by close monitoring. As secondary means, there are pre-membership orientation seminars, formation of cells or working groups, and general assembly meetings.

#### **E. Policy Considerations**

The record of government performance shows the underutilization by community organizations of house financing package. On the other hand, community organizations identify as a major problem the difficulty of dealing with the government. Hence, government policies and programs need to address the following issues:

1. The urban poor have low incomes and have jobs characterized as belonging to the informal sector which makes income tax requirements difficult to submit.
2. Too many documentary requirements delay transactions and loan availment. Bureaucratic processes make loan availment difficult.
3. Low income levels deny affordability of the prevailing rate of monthly amortization.
4. Loan ceilings are too low for GSIS, SSS and Pag-IBIG members compared to the total costs of land acquisition and development and housing construction.
5. The availability of low cost land as well as low cost building materials are essential for low income groups to access housing schemes.
6. There is a tendency for middle income groups to have preferences for housing site and the size of the lot and house different from those of the urban poor and low income groups. The housing policy of the government has attempted to meet the upper lower income groups but appears to have neglected the middle income groups.
7. Nongovernmental organizations have succeeded in organizing squatter communities into housing cooperatives, and these, in turn, have facilitated urban land reform in these communities.
8. The combination of the efforts of local government units, nongovernmental organizations, and housing cooperatives has been shown to be effective in dealing with housing needs.
9. Nongovernmental housing organizations have performed the following tasks creditably:
  - a. Generation of local people's monetary sources;
  - b. Link between people and international funding;
  - c. Harnessing positive indigenous traits;
  - d. Facilitating administrative requirements of the housing cooperatives.

**F. Policy Recommendations**

1. Organize a technical staff to:
  - a. Prepare easy-to-read information kits on financing schemes of the indigenous and community-based organizations for housing, based on Model A and Model B of this report, emphasizing the importance of preliminary and foundational stages of community organizing and people empowerment;
  - b. Organize training sessions, seminars and workshops on alternative financing schemes;
  - c. Oversee the dissemination of information on alternative financing schemes.
2. Review the housing programs for community financing to facilitate the processes and easy release of funds.
3. Decentralize the housing functions to be accessible to the communities.
4. Tap NGOs, POs, housing cooperatives, savings and loan associations, and rural and urban banks for housing financing schemes and money saving lending systems for housing.
5. Establish LGU roles under devolution for housing functions.
6. Set support mechanisms in:
  - a. Low-cost housing designs and models;
  - b. Low-cost building construction materials.
7. Strengthen the government cooperative housing program through the training of leaders in the housing associations on the concepts of empowerment, cooperativism and accountability to the members of the association, in management of funds, and the setting up of credit unions within the association exclusively for housing purposes.

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